

CITY OF TALLULAH
Tallulah, Louisiana

Annual Financial Report
As of and for the Year Ended June 30, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 05 2014**

**CITY OF TALLULAH
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2013**

**Honorable Eddie Beckwith, Jr.
Mayor**

**Gerald Odom
City Clerk**

CITY OF TALLULAH TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	5 - 7
REQUIRED SUPPLEMENTARY INFORMATION	8
Management's Discussion and Analysis (MD&A)	9 - 16
BASIC FINANCIAL STATEMENTS	
	<u>Statement</u>
Government-wide Financial Statements (GWFS)	17
Statement of Net Position	A 18
Statement of Activities	B 19 - 20
Fund Financial Statements (FFS)	
Governmental Funds:	
Balance Sheet	C 22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D 23
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E 24 - 25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F 26
Proprietary Fund Type - Enterprise Fund:	
Statement of Net Position	G 27 - 28
Statement of Revenues, Expenses, and Changes in Fund Net Position	H 29
Statement of Cash Flows	I 30 - 31
Notes to the Basic Financial Statements	
Table of Contents	32
Notes	33 - 54
REQUIRED SUPPLEMENTARY INFORMATION	55
	<u>Exhibit</u>
Budgetary Comparison Schedules	56
Budgetary Comparison Schedule - General Fund	1-1 57
Budgetary Comparison Schedule - Section 8 Fund	1-2 58
Notes to the Budgetary Comparison Schedule	59 - 60

(Continued)

**CITY OF TALLULAH
TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION		61
Nonmajor Governmental Funds		
Combining Balance Sheet - by Fund Type	2	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type	3	63
Nonmajor Debt Service Funds		64
Combining Balance Sheet	4	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	5	66
Comparative Information Required by Bond Covenant with the U.S. Department of Agriculture		67
Comparative Statement of Net Position	6	68 - 69
Schedule of Compensation Paid to Council Members		70
Financial Data Schedule		71 - 72
OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS		73
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		74 - 75
Schedule of Findings and Responses		76 - 82
OTHER INFORMATION		
Summary of Prior Year Audit Findings		84 - 89
Management Letter		90 -94
Status of Prior Year Management Letter Item		95
CITY OF TALLULAH RESPONSE TO THE LOUISIANA LEGISLATIVE AUDITOR LETTER OF OCTOBER 30, 2013		96

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Eddie Beckwith, Jr.
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tallulah (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion

The financial statements referred to above include only the primary government of the City of Tallulah, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial data of the City's primary government. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the reporting entity of the City of Tallulah, as of June 30, 2013, or the changes in financial position or cash flows thereof for the year then ended. In accordance with accounting principles generally accepted in the United States of America, the City of Tallulah, has not issued separate reporting entity financial statements.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Tallulah, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tallulah's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of the City of Tallulah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Paillet, Mennier and LeBlanc, LLP

Metairie, LA
December 26, 2013
February 12, 2014 relating to Findings 13-1 and 13-5

REQUIRED SUPPLEMENTARY INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

Our discussion and analysis of the City of Tallulah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Amounts are presented in thousands unless otherwise noted.

This report presents the financial information of the City's activity of the primary government and does not include the discretely presented component unit Tallulah Housing Authority. The Housing Authority's report can be obtained by contacting the City Clerk of Tallulah at 204 North Cedar, Tallulah, La 71282.

In fiscal year 2013, the City implemented the following GASB Statements:

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement establishes standards for reporting of deferred outflows of resources, deferred inflows of resources, and net position.

Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement amends or supersedes the accounting and financial guidance for certain items previously required as assets or liabilities as well as establishes accounting and financial reporting standards for the financial statement of state and local governments.

These GASB Statements had an effect on the financial statements as a result of implementation. See the prior period adjustment note to the financial statements, Note 18, for further information. Additionally, these GASB Statements did change the presentation of the City's financial's, which consisted of the net assets being classified as net position.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

Total governmental activities revenues received for June 30, 2013 were \$3,031. This is an increase of \$185 or 6.5% increase from the year ended June 30, 2012. This was due mainly to an increase in sales tax plus state and federal grants.

Governmental activities expenses for 2013 were \$2,890. This is a decrease of \$47 or 1.6%. Expenses decreased from 2012 to 2013 mainly due to budgetary personnel restraints.

The Police Department, Fire Department, Street, Health and Welfare, Transportation, and Interest expenses decreased \$99, \$34, \$7, \$14, \$5 and \$28, respectively, while the General and Administrative, Culture and Recreation and Legislative expenses increased \$112, \$26 and \$2, respectively.

Total revenues received through business activities for June 30, 2013 were \$2,698; this is a decrease of \$116, or 4.1% between 2012 and 2013. Revenues decreased mainly due to decreases in charges for services.

Business activities expenses for 2013 were \$2,953 which is a decrease of \$226 or 7.1% between 2012 and 2013. Expenses decreased because of decreased spending in repair and maintenance.

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

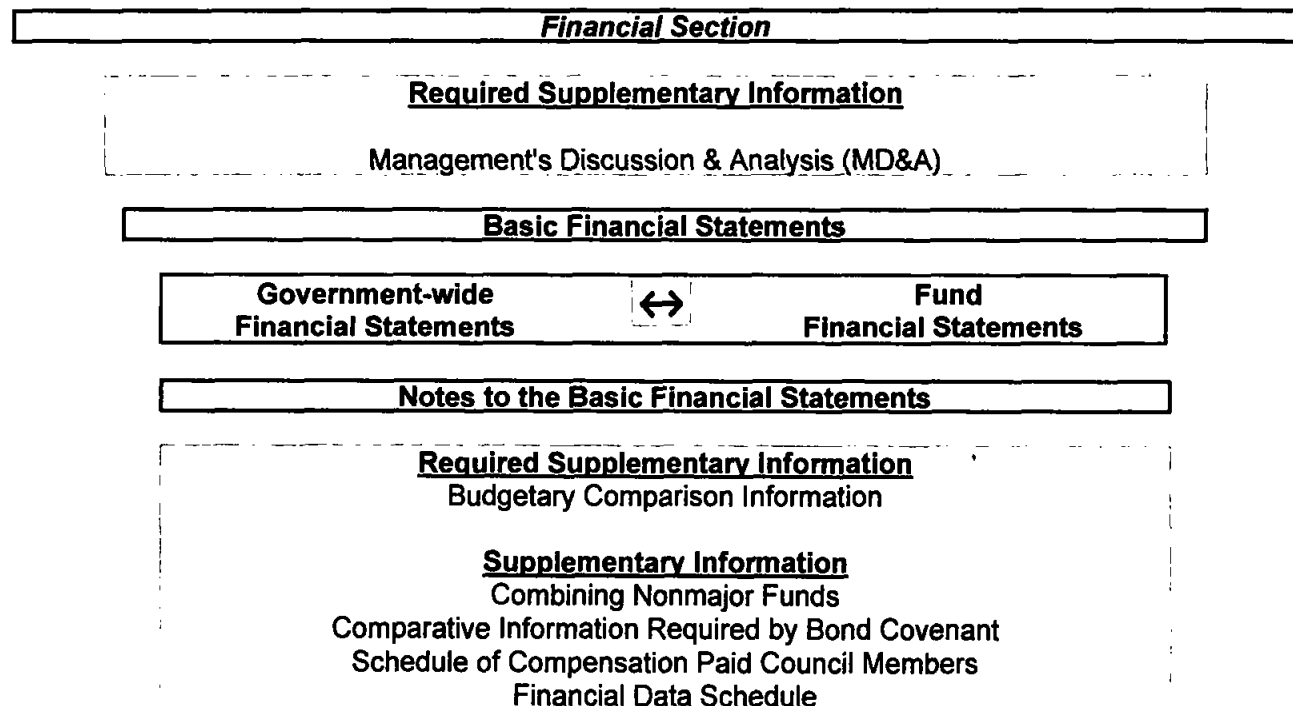
For the year ended June 30, 2013, the General Fund reported \$2,541 in revenues; this is an increase of \$198 or 8.5% from the \$2,343 in revenues for the year ended June 30, 2012. This increase was due to an increase in sales tax revenues.

Expenditures in the General Fund increased \$158 from the year ended June 30, 2012 to June 30, 2013. The City reported \$2,461 in expenditures for the General Fund in 2012 and \$2,619 in expenditures for 2013. This change represents a 6.4% increase from 2012 to 2013. This increase in expenditures was due to renovations to City Hall for which a grant was available plus increased legal expenditures.

USING THIS ANNUAL REPORT

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, and the Section 8 Fund and LCDBG Projects.

The following chart reflects the information included in this annual report.



See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

Our auditor will provide assurance in the independent auditor's report, which will be located immediately preceding this Management's Discussion and Analysis in the audited financial report, that the Basic Financial Statements are fairly stated. Varying degrees of assurance will be provided by the auditor regarding the Required Supplementary Information, the Supplementary Information, and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins with the government-wide financial statements. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information about the City as a whole and its activities in a way that helps answer this question. We prepared these statements to include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* - the difference between assets, liabilities and deferred inflows/outflows of resources as reported in the Statement of Net Position - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position as reported in the Statement of Activities are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the City's *operating results*. However, the City's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other non-financial factors, such as the quality of police and fire protection, the conditions of the City's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including the police, fire, street and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and sanitation systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The City's fund financial statements provide detailed information about the most significant funds but not the City as a whole. Some funds are required to be established by State law. However, the City

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

establishes other funds to help it control and manage money for particular purposes (like the capital project fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches:

Governmental funds - Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position
(In Thousands)
June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS						
Current and other assets	\$ 776	\$ 727	\$ 387	\$ 476	\$ 1,163	\$ 1,203
Restricted assets	4	4	1,023	560	1,027	564
Capital assets	<u>1,854</u>	<u>1,732</u>	<u>17,667</u>	<u>18,499</u>	<u>19,521</u>	<u>20,231</u>
Total assets	<u>2,634</u>	<u>2,463</u>	<u>19,077</u>	<u>19,535</u>	<u>21,711</u>	<u>21,998</u>
LIABILITIES						
Current and other liabilities	347	376	607	407	954	783
Long-term liabilities	<u>354</u>	<u>436</u>	<u>13,104</u>	<u>12,824</u>	<u>13,458</u>	<u>13,260</u>
Total liabilities	<u>701</u>	<u>812</u>	<u>13,711</u>	<u>13,231</u>	<u>14,412</u>	<u>14,043</u>
NET POSITION						
Net investment in capital assets	1,538	1,360	4,574	5,689	6,112	7,049
Restricted	222	181	837	371	1,059	552
Unrestricted	<u>173</u>	<u>110</u>	<u>(44)</u>	<u>244</u>	<u>130</u>	<u>354</u>
Total net position	<u>\$ 1,933</u>	<u>\$ 1,651</u>	<u>\$ 5,367</u>	<u>\$ 6,304</u>	<u>\$ 7,301</u>	<u>\$ 7,955</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

Net position of the City's governmental activities for June 30, 2013 was \$1,933. Unrestricted net position that is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$173.

The net position of our business-type activities for June 30, 2013 was \$5,367.

Table 2
Changes in Net Position
(In Thousands)
For the Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues						
Charges for services	\$ 84	\$ 138	\$ 2,698	\$ 2,764	\$ 2,782	\$ 2,902
Operating grants and contributions	425	328	-	-	425	328
Capital grants and contributions	125	133	-	50	125	183
General revenues						
Property taxes	502	486	-	-	502	486
Sales tax	1,249	1,170	-	-	1,249	1,170
Other taxes, penalties	309	319	-	-	309	319
License and permits	94	95	-	-	94	95
Grants and contributions not restricted to a program	122	121	-	-	122	121
Miscellaneous	121	56	-	-	121	56
Total Revenues	3,031	2,846	2,698	2,814	5,729	5,660
Functions / Program Expenses:						
Governmental Activities						
General and Administrative	802	690	-	-	802	690
Police Department	599	698	-	-	599	698
Fire Department	350	384	-	-	350	384
Street Department	614	621	-	-	614	621
Health and Welfare	226	240	-	-	226	240
Culture and Recreation	158	132	-	-	158	132
Legislative	65	63	-	-	65	63
Transportation	59	64	-	-	59	64
Interest Expense	17	45	-	-	17	45
Business-type Activities						
Water Enterprise	-	-	1,943	2,314	1,943	2,314
Utility Enterprise	-	-	1,010	865	1,010	865
Total Functions / Program Expenses	2,890	2,937	2,953	3,179	5,843	6,116
Increase (decrease) in net position before transfers	141	(91)	(255)	(365)	(114)	(456)
Transfers	169	142	(169)	(142)	-	-
Increase (decrease) in net position	310	51	(424)	(507)	(114)	(456)
Net position - beginning, as originally stated	1,651	1,639	6,304	6,811	7,955	8,450
Prior period adjustment	(28)	(39)	(513)	-	(541)	(39)
Net position - beginning, restated	1,623	1,600	5,791	6,811	7,414	8,411
Net position - ending	\$ 1,933	\$ 1,651	\$ 5,367	\$ 6,304	\$ 7,300	\$ 7,955

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

Governmental Activities

The cost of all governmental activities this year was \$2,890. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,256 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Table 3 presents the cost of each of the City's governmental activities as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(In Thousands)
For the Years Ended June 30, 2013 and 2012

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Governmental Activities				
General and Administrative	\$ 802	\$ 690	\$ 683	\$ 690
Police Department	599	698	480	520
Fire Department	350	384	319	362
Street Department	614	621	607	580
Health and Welfare	226	240	(107)	(92)
Culture and Recreation	158	132	133	105
Legislative	65	63	65	63
Transportation	59	64	59	64
Interest Expense	17	45	17	45
	<u>\$ 2,890</u>	<u>\$ 2,937</u>	<u>\$ 2,256</u>	<u>\$ 2,337</u>

Business-type Activities

Revenue of the City's business-type activities (see Table 2) for June 30, 2013 was \$2,698. This is a decrease of \$116 from 2012 to 2013. Expenses for the year ended June 30, 2013 were \$2,953 for the City's business-type activities which decreased \$226 from 2012 to 2013. Business-type activities had a decrease in net position of \$424. This decrease is due to a decrease in revenues for the year plus additional transfers out.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$433, which is an increase of \$106 in fund balance from last year. The General Fund had an increase in fund balance of \$68 due mainly to an 8% increase in sales tax revenues as well as reduced spending in payrolls and corresponding payroll tax.

The Section 8 fund had an increase in fund balance of \$7 from 2012 due to an increase in government grant revenues. The nonmajor governmental funds had an increase of \$31.

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$226 more than budgeted revenues. This favorable variance was due to an unbudgeted transfer in of \$90 and state grant revenues.

Overall actual expenditures were \$148 more than budgeted expenditures. The General and Administrative, Street, Culture and Recreation, Transportation, Capital outlay and Transfers exceeded their budget amounts \$78, \$13, \$10, \$1, \$45, and \$32, respectively. These unfavorable variances were due to necessary spending for which budget adjustments proved inadequate.

The original budgeted revenues were increased by \$221 in the final budget as well as the original budgeted expenditures were increased by \$221 in the final budget.

Budget revisions for fiscal year ending June 30, 2013 included increases for sales tax revenues of \$155 and state grants of \$66 and increases of \$35 for General and Administrative expenses and \$120,000 for Capital outlay. Budget revisions also included an increase of \$66 for both the revenues and expenses for the on-behalf supplemental pay for the police and fire departments.

CAPITAL ASSETS

At June 30, 2013 and 2012, the City had invested in the following capital assets (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	291	154	-	-	291	154
Infrastructure	575	575	-	-	575	575
Buildings improvements	2,925	2,790	14	10	2,939	2,800
Furniture and equipment	1,784	1,754	902	951	2,686	2,705
Plant	-	-	9,900	9,900	9,900	9,900
Transmission lines	-	-	9,054	9,032	9,054	9,032
Water systems	-	-	8,396	8,365	8,396	8,365
Pumping stations	-	-	338	338	338	338
Total capital assets	<u>5,654</u>	<u>5,352</u>	<u>29,282</u>	<u>29,274</u>	<u>34,936</u>	<u>34,626</u>
Accumulated depreciation	<u>3,800</u>	<u>3,620</u>	<u>11,615</u>	<u>10,776</u>	<u>15,415</u>	<u>14,396</u>
Net capital assets	<u>\$ 1,854</u>	<u>\$ 1,732</u>	<u>\$ 17,667</u>	<u>\$ 18,498</u>	<u>\$ 19,521</u>	<u>\$ 20,230</u>

Additional information regarding capital assets can be found in the Basic Financial Statements notes.

DEBT ADMINISTRATION

At June 30, 2013, the City had bonds and certificates outstanding of \$295 and capital leases of \$22 in which Governmental Funds make the required payments. Governmental Funds also make payments for other debt which comprises \$11 for the Municipal Police Retirement System Merger. Enterprise Funds had outstanding bonds and loans of \$13,093 at June 30, 2013. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Basic Financial Statements.

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem and sales tax collections. Approximately, 63.4% of total revenues in the general fund are from ad valorem and sales tax collections. The general fund budget for the year ending June 30, 2014 as originally adopted increased \$154 from the 2013 budget, which is the most realistic attempt at matching current expenditures with expected revenues.

ADDITIONAL INFORMATION

For additional information contact Gerald Odom, City Clerk, City of Tallulah, 204 North Cedar Street, Tallulah, LA 71282 or by telephone at (318) 574-0964.

See independent auditor's report and notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS:

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF TALLULAH
STATEMENT OF NET POSITION
JUNE 30, 2013

Statement A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and cash equivalents	\$ 371,090	\$ 505	\$ 371,595
Receivables (net)	404,673	381,025	785,698
Prepaid expenses	-	5,919	5,919
Restricted assets			
Cash and cash equivalents	3,996	1,023,447	1,027,443
Capital assets			
Land and construction in progress	369,179	678,330	1,047,509
Depreciable assets, net of depreciation	<u>1,484,915</u>	<u>16,988,910</u>	<u>18,473,825</u>
TOTAL ASSETS	<u>2,633,853</u>	<u>19,078,136</u>	<u>21,711,989</u>
LIABILITIES			
Accounts, salaries and other payables	347,236	114,047	461,283
Bank overdraft	-	156,865	156,865
Interest payable	-	149,399	149,399
Payable from restricted assets - customer deposits	-	186,632	186,632
Compensated absences	-	-	-
Long term liabilities			
Due within one year	92,920	406,392	499,312
Due in more than one year	<u>261,157</u>	<u>12,697,700</u>	<u>12,958,857</u>
TOTAL LIABILITIES	<u>701,313</u>	<u>13,711,035</u>	<u>14,412,348</u>
NET POSITION			
Net investment in capital assets	1,537,938	4,574,028	6,111,966
Restricted	222,359	836,815	1,059,174
Unrestricted	<u>172,243</u>	<u>(43,742)</u>	<u>128,501</u>
TOTAL NET POSITION	<u>1,932,540</u>	<u>5,367,101</u>	<u>7,299,641</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Statement B

	PROGRAM REVENUES				PRIMARY GOVERNMENT NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contribution</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
			<u>\$</u>	<u>\$</u>			
FUNCTIONS / PROGRAMS							
<i>Governmental Activities:</i>							
General and Administrative	\$ 801,838	\$ -	\$ 118,600	\$ -	\$ (683,238)	\$ -	\$ (683,238)
Police Department	599,114	65,937	53,271	-	(479,906)	-	(479,906)
Fire Department	349,611	-	30,950	-	(318,661)	-	(318,661)
Street Department	614,447	-	7,512	-	(606,935)	-	(606,935)
Health and Welfare	226,338	3,409	204,760	125,122	106,953	-	106,953
Culture and Recreation	157,550	14,375	10,000	-	(133,175)	-	(133,175)
Legislative	65,210	-	-	-	(65,210)	-	(65,210)
Transportation	59,045	-	-	-	(59,045)	-	(59,045)
Interest Expense	16,701	-	-	-	(16,701)	-	(16,701)
Total Governmental Activities	<u>2,889,854</u>	<u>83,721</u>	<u>425,093</u>	<u>125,122</u>	<u>(2,255,918)</u>	<u>-</u>	<u>(2,255,918)</u>
<i>Business-Type Activities:</i>							
Water Activities	1,942,868	1,938,113	-	-	-	(4,755)	(4,755)
Sewer Activities	<u>1,009,940</u>	<u>759,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,291)</u>	<u>(250,291)</u>
Total Business-Type Activities	<u>2,952,808</u>	<u>2,697,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(255,046)</u>	<u>(255,046)</u>
Total Primary Government	<u>\$ 5,842,662</u>	<u>\$ 2,781,483</u>	<u>\$ 425,093</u>	<u>\$ 125,122</u>	<u>\$ (2,255,918)</u>	<u>\$ (255,046)</u>	<u>\$ (2,510,964)</u>

Continued

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Statement B
(Continued)

PROGRAM REVENUES				PRIMARY GOVERNMENT NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributio ns</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
General revenues:						
Taxes:						
Property taxes				\$ 502,370	\$ -	\$ 502,370
Sales tax revenue				1,248,826	-	1,248,826
Other taxes, penalties				308,843	-	308,843
Licenses and permits				93,433	-	93,433
Grants and contributions not restricted to a specific program				122,302	-	122,302
Earnings on investments				290	415	705
Miscellaneous				119,997	-	119,997
Transfers				169,404	(169,404)	-
Total general revenues and transfers				<u>2,565,465</u>	<u>(168,989)</u>	<u>2,396,476</u>
Changes in net position				<u>309,547</u>	<u>(424,035)</u>	<u>(114,488)</u>
Net position - beginning, as originally stated				1,650,726	6,303,673	7,954,399
Prior period adjustment				(27,733)	(512,537)	(540,270)
Net position - beginning, as restated				<u>1,622,993</u>	<u>5,791,136</u>	<u>7,414,129</u>
Net position - ending				<u>\$ 1,932,540</u>	<u>\$ 5,367,101</u>	<u>\$ 7,299,641</u>

See independent auditor's report and notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS:

FUND FINANCIAL STATEMENTS (FFS)

CITY OF TALLULAH
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

Statement C

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 138,085	\$ 88,990	\$ 26,591	\$ 117,424	\$ 371,090
Receivables	293,587	2,720	106,956	1,410	404,673
Interfund receivables	2,328	-	-	11,075	13,403
Restricted assets					
Cash	<u>3,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,996</u>
TOTAL ASSETS	<u>\$ 437,996</u>	<u>\$ 91,710</u>	<u>\$ 133,547</u>	<u>\$ 129,909</u>	<u>\$ 793,162</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	\$ 212,761	\$ 953	\$ 133,522	\$ -	\$ 347,236
Interfund payables	<u>11,075</u>	<u>-</u>	<u>-</u>	<u>2,328</u>	<u>13,403</u>
TOTAL LIABILITIES	<u>223,836</u>	<u>953</u>	<u>133,522</u>	<u>2,328</u>	<u>360,639</u>
FUND BALANCES:					
Restricted	3,996	90,757	25	127,581	222,359
Unassigned	<u>210,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,164</u>
TOTAL FUND BALANCES	<u>214,160</u>	<u>90,757</u>	<u>25</u>	<u>127,581</u>	<u>432,523</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 437,996</u>	<u>\$ 91,710</u>	<u>\$ 133,547</u>	<u>\$ 129,909</u>	<u>\$ 793,162</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Statement D

Total fund balances - governmental funds	\$	432,523
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The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the City as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$	5,654,100	
Depreciation expense to date		<u>(3,800,006)</u>	1,854,094

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Position.

Balances at June 30, 2013 are:

Bonds Payable		(109,646)	
Certificates in Indebtness		(184,874)	
Capital lease payable		(21,636)	
Compensated absences payable		(27,259)	
Other long-term debt		<u>(10,662)</u>	<u>(354,077)</u>

Total net position - governmental activities	\$	<u>1,932,540</u>
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See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

Statement E

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 361,320	\$ -	\$ -	\$ 141,050	\$ 502,370
Sales	1,248,826	-	-	-	1,248,826
Other taxes, penalties and interest	308,843	-	-	-	308,843
Licenses and permits	93,433	-	-	-	93,433
Intergovernmental revenues	342,635	204,760	125,122	-	672,517
Rental income	13,350	-	-	-	13,350
Use of money and property	70	88	14	118	290
Fines and forfeitures	65,937	-	-	-	65,937
Miscellaneous revenues	106,188	33,861	-	-	140,049
Total revenues	<u>2,540,602</u>	<u>238,709</u>	<u>125,136</u>	<u>141,168</u>	<u>3,045,615</u>
EXPENDITURES					
Current:					
General and administrative	783,068	-	11,000	-	794,068
Police Department	566,830	-	-	-	566,830
Fire Department	296,261	-	-	-	296,261
Street Department	474,411	-	-	69,647	544,058
Health and welfare	-	231,740	-	-	231,740
Culture and recreation	156,576	-	-	-	156,576
Legislative	65,210	-	-	-	65,210
Transportation	59,045	-	-	-	59,045
Capital outlay	165,466	-	136,659	-	302,125
Debt service:					
Principal retirement	42,800	-	-	33,683	76,483
Interest and bank charges	9,529	-	-	7,172	16,701
Total expenditures	<u>2,619,196</u>	<u>231,740</u>	<u>147,659</u>	<u>110,502</u>	<u>3,109,097</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (78,594)</u>	<u>\$ 6,969</u>	<u>\$ (22,523)</u>	<u>\$ 30,666</u>	<u>\$ (63,482)</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

Statement E

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 180,135	\$ -	\$ 22,537	\$ -	\$ 202,672
Transfers out	<u>(33,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,268)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>146,867</u>	<u>-</u>	<u>22,537</u>	<u>-</u>	<u>169,404</u>
NET CHANGE IN FUND BALANCE	<u>68,273</u>	<u>6,969</u>	<u>14</u>	<u>30,666</u>	<u>105,922</u>
FUND BALANCES - BEGINNING, AS ORIGINALLY STATED	176,937	80,471	11	96,915	354,334
PRIOR PERIOD ADJUSTMENT	<u>(31,050)</u>	<u>3,317</u>	<u>-</u>	<u>-</u>	<u>(27,733)</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>145,887</u>	<u>83,788</u>	<u>11</u>	<u>96,915</u>	<u>326,601</u>
FUND BALANCES - ENDING	<u>\$ 214,160</u>	<u>\$ 90,757</u>	<u>\$ 25</u>	<u>\$ 127,581</u>	<u>\$ 432,523</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

		Statement F
Total net change in fund balances - governmental funds	\$	105,922
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:		
Capital outlays	\$ 302,125	
Depreciation	<u>(180,041)</u>	122,084
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		
		76,483
In the Statement of Activities, certain operating expenses - compensated absences (vacation leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation taken (\$35,504) exceeded the amounts earned (\$30,446) by \$5,058		
		<u>5,058</u>
Total net change in net position - governmental activities	\$	<u>309,547</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

Statement G

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	505	-	505
Receivables, net	256,179	124,847	381,026
Interfund receivables	-	1,813	1,813
Prepaid expenses	5,919	-	5,919
Restricted Assets:			
Cash and cash equivalents	<u>1,007,848</u>	<u>15,600</u>	<u>1,023,448</u>
Total Current Assets	<u>1,270,451</u>	<u>142,260</u>	<u>1,412,711</u>
Noncurrent Assets			
Capital Assets			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	<u>5,905,644</u>	<u>11,083,266</u>	<u>16,988,910</u>
Total Noncurrent Assets	<u>5,971,095</u>	<u>11,696,145</u>	<u>17,667,240</u>
TOTAL ASSETS	<u><u>7,241,546</u></u>	<u><u>11,838,405</u></u>	<u><u>19,079,951</u></u>
LIABILITIES			
Current Liabilities			
Accounts, salaries and other payables	38,157	75,891	114,048
Bank overdraft	124,969	31,896	156,865
Interfund payables	1,813	-	1,813
Interest payable	149,399	-	149,399
Payable from restricted assets - customer deposits	186,632	-	186,632
Compensated absences	6,399	4,481	10,880
Revenue bonds payable - current	355,000	-	355,000
Loans payable - current	<u>-</u>	<u>40,512</u>	<u>40,512</u>
Total Current Liabilities	<u>\$ 862,369</u>	<u>\$ 152,780</u>	<u>\$ 1,015,149</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

Statement G

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Noncurrent Liabilities			
Revenue bonds payable	\$ 9,780,000	\$ -	\$ 9,780,000
Loans payable	<u>-</u>	<u>2,917,700</u>	<u>2,917,700</u>
Total Noncurrent Liabilities	<u>9,780,000</u>	<u>2,917,700</u>	<u>12,697,700</u>
TOTAL LIABILITIES	<u>10,642,369</u>	<u>3,070,480</u>	<u>13,712,849</u>
NET POSITION			
Net investment in capital assets	(4,163,905)	8,737,933	4,574,028
Restricted for debt service	821,216	15,600	836,816
Unrestricted	<u>(58,133)</u>	<u>14,391</u>	<u>(43,742)</u>
TOTAL NET POSITION	<u>\$ (3,400,823)</u>	<u>\$ 8,767,924</u>	<u>\$ 5,367,101</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Water Fund	Sewer Fund	Statement H Total
OPERATING REVENUES			
Charges for services	\$ 1,912,111	\$ 751,419	\$ 2,663,530
Other operating revenue	26,002	8,230	34,232
Total operating revenue	<u>1,938,113</u>	<u>759,649</u>	<u>2,697,762</u>
OPERATING EXPENSES			
Personal services	304,144	174,215	478,359
Supplies	184,997	12,305	197,302
Maintenance	71,545	256,493	328,038
Utilities	100,255	86,211	186,466
Miscellaneous	152,869	49,251	202,120
Uniforms	2,641	2,748	5,389
Insurance	12,569	10,100	22,669
Professional services	33,431	37,098	70,529
Depreciation	652,788	251,166	903,954
Total operating expenses	<u>1,515,239</u>	<u>879,587</u>	<u>2,394,826</u>
OPERATING INCOME (LOSS)	<u>422,874</u>	<u>(119,938)</u>	<u>302,936</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	401	14	415
Interest expense and other charges	(427,629)	(130,353)	(557,982)
Total nonoperating revenues (expenses)	<u>(427,228)</u>	<u>(130,339)</u>	<u>(557,567)</u>
NET INCOME (LOSS)	<u>(4,354)</u>	<u>(250,277)</u>	<u>(254,631)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	88,785	88,785
Transfers out	(243,319)	(14,870)	(258,189)
Total Other Financing Sources (Uses)	<u>(243,319)</u>	<u>73,915</u>	<u>(169,404)</u>
NET CHANGE IN NET POSITION	<u>(247,673)</u>	<u>(176,362)</u>	<u>(424,035)</u>
NET POSITION - BEGINNING, AS ORIGINALLY STATED	(2,640,613)	8,944,286	6,303,673
PRIOR PERIOD ADJUSTMENT	<u>(512,537)</u>	-	<u>(512,537)</u>
NET POSITION - BEGINNING, AS RESTATED	<u>(3,153,150)</u>	8,944,286	5,791,136
NET POSITION - ENDING	<u>\$ (3,400,823)</u>	<u>\$ 8,767,924</u>	<u>\$ 5,367,101</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Statement I Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,927,475	\$ 749,693	\$ 2,677,168
Payments to employees	(307,999)	(175,720)	(483,719)
Payments to others	(572,772)	(494,558)	(1,067,330)
Other receipts	<u>26,002</u>	<u>8,230</u>	<u>34,232</u>
Net cash provided (used) for operating activities	<u>1,072,706</u>	<u>87,645</u>	<u>1,160,351</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	<u>401</u>	<u>14</u>	<u>415</u>
Net cash provided (used) for investing activities	<u>401</u>	<u>14</u>	<u>415</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	88,785	88,785
Transfers out	<u>(243,319)</u>	<u>(14,870)</u>	<u>(258,189)</u>
Net cash provided (used) for noncapital financing activities	<u>(243,319)</u>	<u>73,915</u>	<u>(169,404)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(50,429)	(22,220)	(72,649)
Principal payment bonds	(190,000)	(38,776)	(228,776)
Interest and penalties paid on debt	<u>(386,495)</u>	<u>(130,353)</u>	<u>(516,848)</u>
Net cash provided (used) or capital and related financing activities	<u>(626,924)</u>	<u>(191,349)</u>	<u>(818,273)</u>
Net increase (decrease) in cash and cash equivalents	202,864	(29,775)	173,089
CASH AND CASH EQUIVALENTS - BEGINNING	<u>680,519</u>	<u>13,479</u>	<u>693,998</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 883,383</u>	<u>\$ (16,296)</u>	<u>\$ 867,087</u>
Reconciliation to balance sheet			
Cash	\$ 505	\$ -	\$ 505
Bank overdraft	(124,969)	(31,896)	(156,865)
Restricted assets - cash	<u>1,007,848</u>	<u>15,600</u>	<u>1,023,448</u>
Total Cash and Cash Equivalents - Ending	<u>\$ 883,384</u>	<u>\$ (16,296)</u>	<u>\$ 867,088</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Statement I

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ 422,874	\$ (119,938)	\$ 302,936
Adjustments to reconcile operating income to net cash provided (used) for operating activities			
Depreciation	652,788	251,166	903,954
(Increase) decrease in accounts receivable	15,364	(1,726)	13,638
(Increase) decrease in interfund receivable	-	(1,813)	(1,813)
(Increase) decrease in prepaid expenses	(5,919)	-	(5,919)
Increase (decrease) in accounts payable	227	6,582	6,809
Increase (decrease) in compensated absences	(3,159)	(821)	(3,980)
Increase (decrease) in interfund payables	(7,020)	(45,805)	(52,825)
Increase (decrease) in deposits due others	<u>(2,448)</u>	<u>-</u>	<u>(2,448)</u>
Net cash provided (used) by operating activities	<u>\$ 1,072,707</u>	<u>\$ 87,645</u>	<u>\$ 1,160,352</u>

See independent auditor's report and notes to the basic financial statements.

City of Tallulah
Table of Contents to the Basic Financial Statements Footnotes
For Year Ended June 30, 2013

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	33
A. REPORTING ENTITY	33
B. FUND ACCOUNTING	34
Governmental Funds	34
Proprietary Fund Type - Enterprise Funds	34
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	35
Government-Wide Financial Statements (GWFS)	35
Fund Financial Statements (FFS)	35
D. BUDGET PRACTICES	37
E. CASH AND CASH EQUIVALENTS	37
F. INVESTMENTS	37
G. PREPAID EXPENSES	38
H. CAPITAL ASSETS	38
I. LONG-TERM DEBT	38
J. COMPENSATED ABSENCES	38
K. RESTRICTED ASSETS	39
L. RISK MANAGEMENT	39
M. RESTRICTED NET POSITION	39
N. FUND EQUITY OF FUND FINANCIAL STATEMENTS	40
O. INTERFUND TRANSACTIONS	40
P. USE OF ESTIMATES	41
Q. ELIMINATION AND RECLASSIFICATION	41
R. DATE OF MANAGEMENT'S REVIEW	41
NOTE 2 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY	41
A. Excess of Expenditures Over Appropriations in Individual Fund	43
B. Deficit Fund Balances	43
NOTE 3 - DEPOSITS AND INVESTMENTS	42
NOTE 4 - LEVIED TAXES	42
NOTE 5 - RECEIVABLES	43
NOTE 6 - INTERFUND TRANSACTIONS/BALANCES	43
NOTE 7 - CAPITAL ASSETS	44
NOTE 8 - PENSION PLANS	45
NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLE	47
NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY	47
NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS	47
NOTE 12 - CAPITAL LEASES	51
NOTE 13 - OPERATING LEASES	52
NOTE 14 - PLEDGED REVENUES	52
NOTE 15 - COMMITMENTS AND CONTINGENCIES	53
NOTE 16 - RISK MANAGEMENT	53
NOTE 17 - FUND BALANCE CLASSIFICATION DETAILS	53
NOTE 18 - PRIOR PERIOD ADJUSTMENT	54
NOTE 19 - NEW GASB STANDARDS	54
NOTE 20 - SUBSEQUENT EVENTS	54

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Tallulah have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481 of the constitution of the state of Louisiana. The City is located in the parish of Madison and has a population of 7,333. The City is governed by the Mayor and five member Council. The Mayor and Council members serve four-year terms which expire on June 30, 2014.

As the governing authority of the City, for reporting purposes, the City of Tallulah is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Because the City appoints the governing body of the Tallulah Housing Authority and can impose its will on the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City and do not present information on the housing authority or the

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

general government services provided by that governmental unit; however, the information of the component unit is necessary in order for the City to report in conformity with GAAP. A copy of the audit report for the Housing Authority may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, Louisiana, 71282.

B. FUND ACCOUNTING

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds are classified into two categories; governmental and proprietary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees.

The City's current operations require the use of governmental and proprietary fund types described as follows:

Governmental Funds

The City reports the following major governmental funds:

General fund - is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

Section 8 fund - accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

LCDBG Projects fund - is used to account for the accumulation of resources for and related costs regarding the LCDBG Grant for sewer improvement project and the generator project.

Proprietary Fund

Enterprise Funds - account for the operations of the City's water and sewer systems. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within sixty days after year-end. Expenditures are

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current position. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar-year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1994 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the current year.

Franchise taxes and intergovernmental revenues are recorded when the City is entitled to the funds.

Interest income on time deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the City.

Based on the above criteria, ad valorem taxes, franchise taxes and intergovernmental revenues have been treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Source (Use)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources and are recognized when the underlying event occurs.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating revenues and expenses

Proprietary fund distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is published in the official journal.

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Board when he determines that actual operations are differing materially from those anticipated in the original budget. The Board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal. The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

E. CASH AND CASH EQUIVALENTS

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The City may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

F. INVESTMENTS

Under state law, the City may invest funds in obligations of the United States of America, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments in marketable securities (United States Treasury Notes) are reported at market value.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

H. CAPITAL ASSETS

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The City's practice is to capitalize all fixed assets with a cost of \$1,000 or more. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used for governmental fund-type based on the following estimated useful lives:

Land	N/A
Infrastructure	20-40 years
Building and improvements	15-20 years
Furniture and equipment	5-10 years

The capital assets used in the proprietary fund-type operations are included on the statement of net position of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense against operations. Depreciation is computed using the straight-line method over estimated lives of 20-60 years for the plant, distribution system, and collection system, 3 to 10 years for furniture and equipment.

The City implemented GASB 51, *Accounting and Financial Reporting for Intangibles Assets*; however, the City's implementation was prospectively. Any intangibles purchased by the City are reported within the furniture and equipment classification.

I. LONG-TERM DEBT

Long-term obligations, such as bonded debt and bank loans are recognized as liabilities of a governmental fund only when due.

J. COMPENSATED ABSENCES

Permanent, full-time employees receive from five to ten days of vacation leave each year depending on length of service. Employees may accumulate vacation leave. Sick leave is earned at the rate of ten days per year; however, no employee may accumulate more than ten days of sick leave. Employees who resign or retire are compensated for annual leave accumulated to the date of separation, not to exceed ten days, provided in the case of resignation the employee has completed at least twelve months of continuous service and has given two weeks notice of resignation.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental funds when leave is actually taken or when employees are paid for accrued leave upon resignation or retirement.

The City recognition and measurement criterion for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

The employees' right to receive compensation is attributable to services already rendered.

It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

K. RESTRICTED ASSETS

Certain grants received by the City contained restrictions on spending for specific purposes. In the Sewer Enterprise Fund, specially-assessed sewer fees are restricted for future repair and maintenance of the sewer system. In the Water Enterprise Fund, the customer deposits as well as accounts related to debt covenants are restricted.

L. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2013 for the primary government.

M. RESTRICTED NET POSITION

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Restricted net position reported in the statement of activities are restricted by law through constitutional provisions or by enabling legislation.

N. FUND EQUITY OF FUND FINANCIAL STATEMENTS:

GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: Fund balance that can only be used for specific purposes determined by the City's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the City or motions were passed at a Council meeting committing the funds. The motions passed are usually the result of budget revisions.

Assigned: Fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Council.

Unassigned: Fund balance that is the residual classification for the general fund.

The City reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City considers restricted amounts to have been spent when an expenditure has incurred for purposes for which both restricted and unrestricted fund balance is available.

O. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transfers are reported as transfers.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. ELIMINATION AND RECLASSIFICATIONS

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

R. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through December 26, 2013, the date on which the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations in Individual Funds

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2013:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	2,504,735	2,652,464	(147,729)
Section 8	220,000	231,740	(11,740)

B. Deficit Fund Balances

The following fund had a deficit fund balance at June 30, 2013:

<u>Fund</u>	<u>Deficit Amount</u>
Water Fund	3,400,823

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2013, the City had a cash and cash equivalents book balance of \$1,242,173.

Deposits are stated at cost, which approximates fair market value. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount of deposits was \$1,242,173 (Statement A – Cash and cash equivalents of \$371,595 unrestricted, \$1,027,443 restricted and \$156,865 in bank overdrafts) and the bank balance was \$1,399,038. The entire bank balance of \$1,399,038 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The City's policy does not address custodial credit risk.

Interest Rate Risk: The City's policy does not address interest rate risk.

NOTE 4 - LEVIED TAXES

The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied on October 11, 2012 with a due date and collection date of December 31, 2012 and a lien date of January 1, 2013.

The following is a summary of authorized and levied property taxes:

	<u>Maximum Millage</u>	<u>Levied Millage</u>
General Fund Operations	8.10	8.10
Police, Fire, Streets & Bridges	7.33	7.33
General Purposes	9.22	9.22
Streets, Roads, Drainage	8.69	8.69
1981 Sewer Bond	N/A	1.00

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5 - RECEIVABLES

The following is a summary of receivables at June 30, 2013:

Class of Receivables	General	Section 8	LCDBG Projects	Nonmajor Governmental	Water Fund	Sewer Fund	Total
Taxes:							
Sales & use	\$ 103,249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,249
Other taxes	911	-	-	-	-	-	911
State revenue	30,018	-	-	-	-	-	30,018
Federal revenue	21,382	2,720	106,956	-	-	-	131,058
Sewer user fees	-	-	-	-	-	127,216	127,216
Water user fees	-	-	-	-	261,000	-	261,000
Due from other governments	74,015	-	-	-	-	-	74,015
Other	<u>64,011</u>	-	-	<u>1,410</u>	-	-	<u>65,421</u>
Gross receivables	293,586	2,720	106,956	1,410	261,000	127,216	792,888
Less allow. doubtful accts.	-	-	-	-	4,821	2,370	7,191
Net total receivables	<u>\$ 293,586</u>	<u>\$ 2,720</u>	<u>\$ 106,956</u>	<u>\$ 1,410</u>	<u>\$ 256,179</u>	<u>\$ 124,846</u>	<u>\$ 785,697</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES

Individual balances due from/to other funds at June 30, 2013, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 2,328
Nonmajor Governmental	General Fund	11,075
Sewer Fund	Water Fund	1,813
Total		<u>\$ 15,216</u>

Interfund balances result from fund reimbursements not made before year-end.

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 180,135
LCDBG Projects	General Fund	4,334
LCDBG Projects	Sewer Fund	14,870
LCDBG Projects	Water Fund	3,333
Sewer Fund	General Fund	28,934
Sewer Fund	Water Fund	59,851
Total		<u>\$ 291,457</u>

The City transfers money from the Water Fund to the General Fund and the Utility fund to cover shortfalls. The General fund, Water fund and the Sewer fund transferred funds to the LCDBG Sewer Project fund to cover project administration costs not covered by grant funding.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - CAPITAL ASSETS

A summary of the changes in governmental activities capital assets for the year ended June 30, 2013:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	154,020	264,534	127,875	290,679
Depreciable assets				
Infrastructure	575,255	-	-	575,255
Buildings and improvements	2,789,825	135,400	-	2,925,225
Furniture and equipment	1,754,375	30,066	-	1,784,441
Total	5,351,975	430,000	127,875	5,654,100
Less: accumulated depreciation	3,619,965	180,041	-	3,800,006
Total capital assets, net	<u>\$ 1,732,010</u>	<u>\$ 249,959</u>	<u>\$ 127,875</u>	<u>\$ 1,854,094</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 7,202
Police department	34,208
Fire department	57,613
Street department	70,216
Culture and recreation	10,802
Total	<u>\$ 180,041</u>

A summary of plant and equipment used in the business-type activities follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Business-type activities:				
Capital assets not depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Capital assets, not depreciated	<u>678,330</u>	<u>-</u>	<u>-</u>	<u>678,330</u>
Depreciable assets				
Building & improvements	9,880	4,361	-	14,241
Equipment	951,028	15,768	64,363	902,433
Plant	9,900,494	-	-	9,900,494
Transmission lines	9,031,827	22,220	-	9,054,047
Water systems	8,365,251	30,300	-	8,395,551
Pumping stations	337,944	-	-	337,944
Capital assets, depreciable	28,596,424	72,649	64,363	28,604,710
Less: accumulated depreciation	10,776,209	903,953	64,362	11,615,800
Depreciable capital assets, net	17,820,215	(831,304)	1	16,988,910
Total capital assets, net	<u>\$ 18,498,545</u>	<u>\$ (831,304)</u>	<u>\$ 1</u>	<u>\$ 17,667,240</u>

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to business-type activities as follows:

Water	\$ 652,788
Sewer	<u>251,165</u>
Total	<u>\$ 903,953</u>

NOTE 8 - PENSION PLANS

Substantially all employees of the City of Tallulah are members of either the Firefighters' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, Nationwide Retirement Solutions' 457 Government Plan and Trust or the Social Security System. The state retirement systems are each multiple-employer, public employee retirement systems (PERS), controlled and administered by separate boards of trustees.

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA

The Firefighters' Retirement System is a cost sharing, multiple employer defined benefit pension plan. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3½% of their final-average salary for each year of creditable service, not to exceed 100% of their final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Plan members are required by state statute to contribute 10.0% of their annual covered salary and the City of Tallulah is required to contribute an actuarially determined rate. The current rate is 22.25% of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 - PENSION PLANS (CONTINUED)

based on the results of the valuation for the prior fiscal year. The City of Tallulah's contributions to the System for the years ending June 30, 2013, 2012, and 2011, were \$2,565, \$0, and \$12,014, respectively, equal to the required contributions for each year. There were no firefighters that participated in the retirement system for fiscal year ended June 30, 2012.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

The Municipal Police Employees' Retirement System is a cost-sharing, multiple employer defined benefit pension plan. All full-time police department employees engage in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3½% of the final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously, and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained in writing to the Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 10% of their annual covered salary and the City of Tallulah is required to contribute at an actuarially determined rate. The current rate is 26.5% of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Tallulah's contributions to the System for the years ended June 30, 2013, 2012, and 2011, were \$74,730, \$82,749, and \$80,556, respectively, equal to the required contributions for each year.

NATIONWIDE RETIREMENT SOLUTIONS'S 457 GOVERNMENTAL PLAN & TRUST

The City provides pension benefits through Nationwide Retirement Solutions for its full-time employees through a defined contribution plan. All employees are eligible to participate in the plan on the after completing their six months probation period of their employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees in managerial administrative positions, the City's contribution for each employee can range up to the I.R.C 457(b) limit. For 2011, the I.R.C 457(b) limit was \$16,500 plus an additional catch up \$5,500 for participants aged 50 and over. For all other employees, the City matches 100% of the employee's voluntary contribution up to the I.R.C 457(b) limit. There is no vesting period for the City's contribution for each employee.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 - PENSION PLANS (CONTINUED)

For the year ended June 30, 2013, the City made employer contributions of \$65,170 and employee contributions of \$36,595.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE

The accounts, salaries and other payables at fiscal year ended June 30, 2013 are as follows:

Class of Payables	General	Section 8	LCDBG Projects	Water Fund	Sewer Fund	Total
Accounts Payable	\$ 153,692	\$ 953	\$ 133,522	\$ 29,903	\$ 73,689	\$ 391,759
Wages Payable	59,070	-	-	8,253	2,202	69,525
Net total payable	<u>\$ 212,762</u>	<u>\$ 953</u>	<u>\$ 133,522</u>	<u>\$ 38,156</u>	<u>\$ 75,891</u>	<u>\$ 461,284</u>

NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$76,134 is recognized as intergovernmental revenue and public safety expenditures. Of the \$76,134 recognized, the State paid \$45,184 to City police officers and \$30,950 to City firemen.

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS

Governmental activities long-term liabilities are direct obligations and pledge the full faith and credit of the City. The City has incurred these liabilities to provide funds for the acquisition and construction of major capital additions. The General Obligation bonds are paid with the appropriate debt service funds from funds provided by an ad valorem tax. The Certificates of Indebtness were issued for the purpose of the acquisition of major capital asset additions for the fire department and are paid from excess revenues of the general fund. Capital leases are paid from the Street fund. Also, the City has incurred other debt as a result of the City merging the police retirement fund along with compensated absences, which is paid from the general fund.

The City has issued revenue bonds and loans payable in which the City pledged income derived from the acquired or constructed assets to pay debt service. This long-term debt is reported in the business-type activities, in which payments are made by the Water and Sewer funds. See Note 13 for additional information on pledged revenues.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

During the year ended June 30, 2013, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligations bonds	\$ 119,106	\$ -	\$ 9,460	\$ 109,646	\$ 9,933
Certificate of indebtedness	207,403	-	22,529	184,874	23,430
Capital lease payable	45,859	-	24,223	21,636	21,636
Compensated absences	32,317	30,446	35,504	27,259	27,259
Other debt	30,933	-	20,271	10,662	10,662
Total	<u>\$ 435,618</u>	<u>\$ 30,446</u>	<u>\$ 111,987</u>	<u>\$ 354,077</u>	<u>\$ 92,920</u>

During the year ended June 30, 2013, the following changes occurred in business-type activities long-term liabilities:

	Beginning Balance *	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds	\$ 10,325,000	\$ -	\$ 190,000	\$ 10,135,000	\$ 355,000
Loans payable	2,996,988	-	38,776	2,958,212	40,512
Compensated absences	14,860	13,252	17,232	10,880	10,880
Total	<u>\$ 13,336,848</u>	<u>\$ 13,252</u>	<u>\$ 246,008</u>	<u>\$ 13,104,092</u>	<u>\$ 406,392</u>

* Beginning balances were restated to exclude the deferred bond issuance costs. See Note 18 - Prior Period Adjustment for further information.

The following is a summary of long-term obligation transactions for the year ended June 30, 2013:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
Governmental activities						
General Obligations Bonds:						
Series 1981	10/08/1981	10/01/2021	5.000%	\$ 260,000	\$ 109,646	\$ -
Certificate of Indebtedness:						
Series 2009 - USDA Fire Truck	03/31/2010	03/31/2020	4.000%	250,000	184,874	-
Capital Leases:						
Durapatcher with blower	05/15/2011	05/15/2014	3.450%	49,961	15,817	-
Tiger boom mower	03/25/2011	03/15/2014	3.450%	22,400	5,819	-
Other Debt:						
Loan for Merger of Retirement System	07/01/1986	10/01/2013	7.000%	278,439	10,662	-
Business-type activities:						
Enterprise Funds						
Water Improvement Bonds,						
Refunding Series 2007	09/01/2007	09/01/2032	4.3 - 5.0%	5,630,000	-	4,900,000
Water Revenue Refunding Bonds Series 2012	06/22/2012	09/01/2031	2.6 - 5.0%	5,275,000	-	5,235,000
Loans payable (USDA):						
Sewer Rehab Phase I	09/06/2006	07/06/2046	4.375%	2,660,000	-	2,490,136
Sewer Rehab Phase II	09/06/2006	09/06/2046	4.375%	500,000	-	468,076
Totals					326,818	13,093,212
Current Portion of Debt					(65,661)	(395,512)
Total Long-Term Portion of Debt					<u>\$ 261,157</u>	<u>\$ 12,697,700</u>

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

The classification "other debt" consists of \$10,662 which represents the balance remaining as a result of the City of Tallulah's Police Retirement Fund merging with the Municipal and State Police Retirement System of Louisiana.

General obligation bonds totaling \$109,646 at June 30, 2013, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. Assessed value for the 2012 tax roll was \$14,243,503. The City is within the statutory limitation of \$4,985,226. The 1981 Debt Service fund has \$45,681 available to service the bonded debt in the Governmental fund-type funds.

The annual requirements to amortize all outstanding debt at June 30, 2013 are as follows:

Year	General Long-Term Debt			Water Enterprise Fund		Sewer Enterprise Fund	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2014	\$ 44,025	\$ 12,967	\$ 56,992	\$ 355,000	\$ 442,031	\$ 40,512	\$ 128,616
2015	34,797	11,444	46,241	370,000	429,406	42,320	126,808
2016	36,293	9,947	46,240	380,000	416,306	44,210	124,919
2017	37,855	8,386	46,241	390,000	402,847	46,183	122,945
2018	39,484	6,757	46,241	405,000	388,911	48,245	120,883
2019-2024	112,728	10,399	123,127	2,280,000	1,679,156	275,514	570,126
2029-2034	-	-	-	2,815,000	1,123,750	342,747	502,893
2039-2044	-	-	-	3,140,000	368,250	426,386	419,254
2034-2038	-	-	-	-	-	530,434	315,206
2039-2043	-	-	-	-	-	659,874	185,766
2044-2047	-	-	-	-	-	501,787	36,674
Total	<u>\$ 305,182</u>	<u>\$ 59,900</u>	<u>\$ 365,082</u>	<u>\$ 10,135,000</u>	<u>\$ 5,250,657</u>	<u>\$ 2,958,212</u>	<u>\$ 2,654,090</u>

USDA Loan and Certificate of Indebtness Letter of Conditions:

As stated in the USDA's Letter of Conditions for each of the USDA Loans Payables, the City will be required to establish and maintain reserves sufficient to assure loan installments will be paid on time, for emergency maintenance, for extensions to facilities and replacement for short-lived assets which have a useful life significantly less than the repayment period of the loan. Borrowers issuing bonds or other evidences of debt pledging facility revenues as security will plan their reserve to provide for at least an annual reserve payment equal to one tenth of the average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service payment in any future year is accumulated in the reserve fund; thereafter, all payments to be made into the depreciation and contingency fund.

The Letter of Conditions for the USDA Certificates of Indebtness are the same as the Letter of Conditions for the Loans Payable except for the Certificate of Indebtness – Fire Protection in which the City is only required to reserve up to an amount equal to the highest annual debt service payable in any future year.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

Water Improvement Bonds, Refunding Series 2007 and 2012 Bond Covenants:

The material provisions of the bond covenants for the Water Improvement Bonds, Refunding Bonds are as follows:

- The issuer will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year and will provide net revenues at least equal to 125% of the principal and interest falling due in such year on all Bonds or other obligations payable from the net revenues and will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such Fiscal Year.
- The maintenance of a separately identifiable fund or account designated as the "Water System Revenue Bond Debt Service Fund" sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, the Outstanding Parity Bonds and any Parity Obligations, as they become due and payable, by transferring from the Revenue Fund to the Debt Service Fund, monthly in advance on or before the 25th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date and 1/12 of the principal falling due on the next principal payment date.
- The establishment and maintenance of a separately identifiable fund or account designated as the "2007 Water System Refunding Revenue Bond Debt Service Reserve Fund" with a deposit from the bond proceeds equal to the required debt service reserve requirement. The 2007 Reserve Fund requirement is as of any date of calculation, a sum equal to 50% of the highest combined principal and interest requirements for any succeeding fiscal year.

In addition to the covenants listed above, the Water Improvements Bonds, Refunding Series 2007 requires that the City establish a project fund and deposit \$245,000 from the Bond proceeds and shall be used to pay capital costs related to the System. The City may withdraw monies upon presentation of a requisition and proper invoices detailing each expenditure.

For the fiscal year ended June 30, 2013, the Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all Bonds or other obligations payable, as well as the City's required monthly payments to the debt service fund reserves were not made nor does the City have the required balance in reserves at June 30, 2013; however, the City did meet all debt obligations.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

Required Debt Reserves:

The required debt reserves and amounts reserved as of June 30, 2013 for the City are as follows:

	<u>Debt Issued</u>	<u>Required Reserve</u>	<u>Amount Reserved</u>
Governmental Activities:			
Certificate of Indebtness - Series 2009			
Fire Truck	\$ 250,000	\$ 10,218	\$ 3,996
Total Governmental Activities	<u>250,000</u>	<u>10,218</u>	<u>3,996</u>
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2007	5,630,000	651,084	-
Water Improvement Bonds, Refunding Series 2012	<u>5,275,000</u>	<u>400,746</u>	<u>821,216</u>
Total Water Fund	<u>10,905,000</u>	<u>1,051,830</u>	<u>821,216</u>
Sewer Fund:			
Sewer Rehab Phase I	2,600,000	96,147	-
Sewer Rehab Phase II	<u>500,000</u>	<u>18,063</u>	<u>15,600</u>
Total Sewer Fund	<u>3,100,000</u>	<u>114,210</u>	<u>15,600</u>
Total Business Activities	<u>14,005,000</u>	<u>1,166,040</u>	<u>836,816</u>
Grand Total	<u>\$ 14,255,000</u>	<u>\$ 1,176,258</u>	<u>\$ 840,812</u>

NOTE 12 - CAPITAL LEASES

The City entered into a lease agreement for financing the acquisition of a tiger boom mower and a durapatcher with blower. The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Street Department Equipment:			
Tiger Boom Mower	49,961	4,996	11,449
Durapatcher with Blower	22,400	2,240	5,133

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - CAPITAL LEASES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2014	\$ 21,994
Total minimum lease payments	21,994
Less: amount representing interest	358
Present value of minimum lease payments	<u>\$ 21,636</u>

NOTE 13 - OPERATING LEASES

The City leased a 2012 Case 580SN 4WD Backhoe on March 4, 2013 under a non-cancelable operating lease for a sixty-one month period for a value of \$73,665. However, the City had traded in a 2005 backhoe to reduce the cost of the lease by \$20,000. The City is to pay monthly lease expense of \$999.04. Total cost for the operating lease was \$4,045 for the year ended June 30, 2013. The minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2014	\$ 11,988
2015	11,988
2016	11,988
2017	11,988
2018	7,992
Total	<u>\$ 55,944</u>

NOTE 14 - PLEDGED REVENUES

The City has pledged future water and sewer customer revenues, net of specified operating expenses to15 repay \$10,350,000 in water revenue bonds payable and \$2,996,988 in sewer loans payable. Proceeds from revenue bonds/loans payable provided financing for the purpose of constructing and acquiring extensions, improvements to the waterworks and sewer systems of the City of Tallulah. The revenue bonds/loans payable are payable solely from water and sewer customer net revenues and are payable through fiscal year ended 2033 for the Water Fund and fiscal year ended 2047 for the Sewer Fund. Total principal and interest remaining to be paid on the water and sewer revenue bonds/loans payable is \$15,578,088 and \$5,612,302, respectively. Water principal and interest paid for the current year was \$576,496 and total net revenue (loss) per Statement H was \$(4,755). Sewer principal and interest paid for the current year was \$169,129 and total net revenue (loss) per Statement B was \$(250,291). See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation:

At June 30, 2013, the City is involved in several lawsuits. There was one lawsuit that a judgment was rendered after year end in the amount of \$1,150,699; the City has not recorded a liability for the judgment due to the City filing for a motion for a new trial and for an appeal. See Note 20, Subsequent Events for further information.

Construction Projects:

The City is involved in several projects at fiscal year ended June 30, 2013 which include the Harlem Street Drainage, LCDBG generator project, LCDBG sewer project and lighting project. However, the City did not have any signed construction commitments at June 30, 2013.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has a \$10,000 deductible for its fire and casualty loss insurance coverage and no deductible for the other policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17 - FUND BALANCE CLASSIFICATION DETAILS

The following are details of the fund balance classification:

	General Fund	Section 8	LCDBG Projects	Nonmajor Governmental	Total
Restricted for:	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	3,996	-	-	65,337	69,333
Section 8 program	-	90,757	-	-	90,757
Street maintenance	-	-	-	62,210	62,210
Construction projects	-	-	25	34	59
Total	<u>\$ 3,996</u>	<u>\$ 90,757</u>	<u>\$ 25</u>	<u>\$ 127,581</u>	<u>\$ 222,359</u>

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 18 - PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2013, the City had reported prior period adjustments decreasing net position for a total of \$540,270 in the government-wide statement of activities, in which \$27,733 was in the governmental activities and \$512,537 was in the business-type activities. For the governmental funds, the General Fund reported a decrease in fund balance and a decrease in accounts receivable of \$31,050, which was due to the City recording an accounts receivable for GOSEP grant funds to agree with expenses incurred that the City did not receive. Additionally, the Section 8 fund reported a prior period adjustment increasing fund balance and increasing cash by \$3,317, which was due to the City voiding outstanding checks that were not valid. The proprietary funds-Water Fund reported a prior period adjustment decreasing net position by \$512,537. This adjustment was due to the implementation of GASB Statements No. 63 and 65 in which the City had expensed the cost of issuance of prior debt.

NOTE 19 - NEW GASB STANDARDS

In fiscal year 2013, the City implemented the following GASB Statements:

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement establishes standards for reporting of deferred outflows of resources, deferred inflows of resources, and net position.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement amends or supersedes the accounting and financial guidance for certain items previously required as assets or liabilities as well as establishes accounting and financial reporting standards for the financial statement of state and local governments.

These Statements had an effect on the financial statements as a result of implementation. See the prior period adjustment note to the financial statements, Note 18, for further information. Additionally, the Statements did change the presentation of the City's financials, which consisted of the net assets being classified as net position.

NOTE 20 - SUBSEQUENT EVENTS

On October 29, 2013, the City received a judgment on an ongoing lawsuit from an accident involving a city vehicle that occurred in fiscal year ended June 30, 2007. The judgment rendered was in favor of the plaintiffs in the amount of \$1,150,699. The City has filed a motion for a new trial and has filed for an appeal.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallulah

Budgetary Comparison Schedules

Funds with Legally Adopted Annual Budget

General Fund - is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

Section 8 Fund - accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

CITY OF TALLULAH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 1-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUDGETARY FUND BALANCES,				
Beginning	\$ -	\$ 145,887	\$ 145,887	\$ -
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	345,000	345,000	361,320	16,320
Sales and use	1,173,000	1,328,000	1,248,826	(79,174)
Other taxes, penalties and interest	278,600	278,600	308,843	30,243
Licenses and permits	130,850	130,850	93,433	(37,417)
Intergovernmental revenues	130,720	196,720	342,635	145,915
Rental income	8,990	8,990	13,350	4,360
Use of money and property	-	-	70	70
Fines and forfeitures	83,575	83,575	65,937	(17,638)
Miscellaneous revenues	33,000	33,000	106,188	73,188
Transfers from other funds	<u>90,000</u>	<u>90,000</u>	<u>180,135</u>	<u>90,135</u>
Amounts available for appropriations	<u>2,273,735</u>	<u>2,640,622</u>	<u>2,866,624</u>	<u>226,002</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	671,517	706,517	783,068	(76,551)
Police Department	559,545	595,545	566,830	28,715
Fire Department	270,470	300,470	296,261	4,209
Street Department	459,900	459,900	474,411	(14,511)
Culture and recreation	146,374	146,374	156,576	(10,202)
Legislative	64,800	64,800	65,210	(410)
Transportation	57,600	57,600	59,045	(1,445)
Capital outlay	-	120,000	165,466	(45,466)
Debt service:				
Principal retirement	52,329	52,329	42,800	9,529
Interest expense	-	-	9,529	(9,529)
Transfers to other funds	<u>1,200</u>	<u>1,200</u>	<u>33,268</u>	<u>(32,068)</u>
Total charges to appropriations	<u>2,283,735</u>	<u>2,504,735</u>	<u>2,652,464</u>	<u>(147,729)</u>
BUDGETARY FUND BALANCES, ENDING	<u><u>(10,000)</u></u>	<u><u>135,887</u></u>	<u><u>214,160</u></u>	<u><u>(78,273)</u></u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**SECTION 8
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit 1-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUDGETARY FUND BALANCES,				
Beginning	\$ -	\$ 83,788	\$ 83,788	\$ -
Resources (inflows)				
Local sources:				
Intergovernmental revenues	220,000	220,000	204,760	(15,240)
Use of money and property	-	-	88	88
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>33,861</u>	<u>33,861</u>
Amounts available for appropriations	<u>220,000</u>	<u>303,788</u>	<u>322,497</u>	<u>18,709</u>
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>220,000</u>	<u>220,000</u>	<u>231,740</u>	<u>(11,740)</u>
Total charges to appropriations	<u>220,000</u>	<u>220,000</u>	<u>231,740</u>	<u>(11,740)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 83,788</u>	<u>\$ 90,757</u>	<u>\$ 6,969</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

NOTE A. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is published in the official journal.

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Council when he determines that actual operations are differing materially from those anticipated in the original budget. The Council, in regular session, reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal.

The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

NOTE B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGED APPROPRIATIONS

For the fund which a budget to actual comparison was made, 2013 actual appropriations exceeded budgeted appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,504,735	\$ 2,652,464	\$ (147,729)
Section 8	220,000	231,740	(11,740)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

NOTE C - BUDGET TO GAAP RECONCILIATION

An explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures follows:

	<u>General Fund</u>	<u>Section 8</u>
<u>Sources / inflows or resources:</u>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 2,866,624	\$ 322,497
The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	(145,887)	(83,788)
Transfers in are shown as resources (inflows) for budgetary purposes, but as other financing sources for the Statement of Revenues and Expenditures and Changes in Fund Balances	<u>(180,135)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 2,540,602</u>	<u>\$ 238,709</u>
<u>Uses / outflows of resources:</u>		
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	\$ 2,652,464	\$ 231,740
Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting	<u>(33,268)</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,619,196</u>	<u>\$ 231,740</u>

See independent auditor's report and notes to the basic financial statements.

SUPPLEMENTARY INFORMATION

CITY OF TALLULAH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - BY FUND TYPE
JUNE 30, 2013

Exhibit 2

	<u>Special Revenue Street</u>	<u>Debt Service</u>	<u>Capital Project Harlem Street Drainage</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 49,725	\$ 67,665	\$ 34	\$ 117,424
Receivables	1,410	-	-	1,410
Interfund receivables	<u>11,075</u>	<u>-</u>	<u>-</u>	<u>11,075</u>
 Total assets	 <u>\$ 62,210</u>	 <u>\$ 67,665</u>	 <u>\$ 34</u>	 <u>\$ 129,909</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Interfund payables	\$ -	\$ 2,328	\$ -	\$ 2,328
 FUND BALANCES				
Restricted	<u>62,210</u>	<u>65,337</u>	<u>34</u>	<u>127,581</u>
 Total Liabilities and Fund Balances	 <u>\$ 62,210</u>	 <u>\$ 67,665</u>	 <u>\$ 34</u>	 <u>\$ 129,909</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit 3

	<u>Special Revenue Street</u>	<u>Debt Service</u>	<u>Capital Project Harlem Street Drainage</u>	<u>Total</u>
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 126,433	\$ 14,617	\$ -	\$ 141,050
Use of money and property	<u>54</u>	<u>64</u>	<u>-</u>	<u>118</u>
Total revenues	<u>126,487</u>	<u>14,681</u>	<u>-</u>	<u>141,168</u>
EXPENDITURES				
Current:				
Street Department	69,647	-	-	69,647
Debt service:				
Principal retirement	24,223	9,460	-	33,683
Interest and bank charges	<u>1,217</u>	<u>5,955</u>	<u>-</u>	<u>7,172</u>
Total expenditures	<u>95,087</u>	<u>15,415</u>	<u>-</u>	<u>110,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>31,400</u>	<u>(734)</u>	<u>-</u>	<u>30,666</u>
NET CHANGE IN FUND BALANCES	31,400	(734)	-	30,666
FUND BALANCES - BEGINNING	<u>30,810</u>	<u>66,071</u>	<u>34</u>	<u>96,915</u>
FUND BALANCES - ENDING	<u>\$ 62,210</u>	<u>\$ 65,337</u>	<u>\$ 34</u>	<u>\$ 127,581</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

1981 GENERAL OBLIGATION BOND FUND - accumulates monies for payment of \$260,000 General Obligation Bonds dated October 8, 1981, issued for the purpose of constructing improvements and extensions to the sewer system of the City. Funding is provided by an ad valorem tax.

1998 GENERAL OBLIGATION BOND FUND - accumulates resources for, and the payment of long-term debt principal, interest, and related costs guarding the 1998 General Obligation Bond.

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

Exhibit 4

	<u>1981 General Obligation Bonds</u>	<u>1998 General Obligation Bonds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ <u>48,008</u>	\$ <u>19,657</u>	\$ <u>67,665</u>
TOTAL ASSETS	<u>\$ 48,008</u>	<u>\$ 19,657</u>	<u>\$ 67,665</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Interfund payables	\$ 2,328	\$ -	\$ 2,328
FUND BALANCES			
Restricted	<u>45,680</u>	<u>19,657</u>	<u>65,337</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,008</u>	<u>\$ 19,657</u>	<u>\$ 67,665</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit 5

	<u>1981 General Obligation Bonds</u>	<u>1998 General Obligation Bonds</u>	<u>Total</u>
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 14,617	\$ -	\$ 14,617
Use of money and property	<u>45</u>	<u>19</u>	<u>64</u>
Total revenues	<u>14,662</u>	<u>19</u>	<u>14,681</u>
EXPENDITURES			
Current:			
Debt service:			
Principal retirement	9,460	-	9,460
Interest and bank charges	<u>5,955</u>	<u>-</u>	<u>5,955</u>
Total expenditures	<u>15,415</u>	<u>-</u>	<u>15,415</u>
NET CHANGE IN FUND BALANCES	(753)	19	(734)
FUND BALANCES - BEGINNING	<u>46,433</u>	<u>19,638</u>	<u>66,071</u>
FUND BALANCES - ENDING	<u><u>\$ 45,680</u></u>	<u><u>\$ 19,657</u></u>	<u><u>\$ 65,337</u></u>

See independent auditor's report and notes to the basic financial statements.

**COMPARATIVE INFORMATION
REQUIRED BY
BOND COVENANT
WITH THE
U.S. DEPARTMENT OF AGRICULTURE**

CITY OF TALLULAH

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012**

Exhibit 6

	<u>2013</u> <u>Water Fund</u>	<u>2012</u> <u>Water Fund</u>	<u>2013</u> <u>Sewer Fund</u>	<u>2012</u> <u>Sewer Fund</u>
ASSETS				
Current Assets				
Cash and cash equivalents	506	135,950	-	-
Receivables, net	256,179	271,543	124,846	123,120
Interfund receivables	-	-	1,813	-
Prepaid expenses	5,919	-	-	-
Restricted Assets:				
Cash and cash equivalents	<u>1,007,847</u>	<u>544,569</u>	<u>15,600</u>	<u>15,585</u>
Total Current Assets	<u>1,270,451</u>	<u>952,062</u>	<u>142,259</u>	<u>138,705</u>
Noncurrent Assets				
Land and construction in progress	65,451	65,451	612,879	612,879
Depreciable assets	<u>5,905,644</u>	<u>6,508,003</u>	<u>11,083,266</u>	<u>11,312,212</u>
Total Noncurrent Assets	<u>5,971,095</u>	<u>6,573,454</u>	<u>11,696,145</u>	<u>11,925,091</u>
TOTAL ASSETS	<u>7,241,546</u>	<u>7,525,516</u>	<u>11,838,404</u>	<u>12,063,796</u>
LIABILITIES				
Current Liabilities				
Accounts, salaries and other payable	38,157	37,930	75,891	69,309
Bank overdraft	124,969	-	31,896	2,106
Interfund payables	1,813	8,833	-	45,805
Interest payable	149,399	108,265	-	-
Payable from restricted assets - customer deposits	186,632	189,080	-	-
Compensated absences	6,399	9,558	4,481	5,302
Revenue bonds payable - current	355,000	190,000	-	-
Loans payable - current	<u>-</u>	<u>-</u>	<u>40,512</u>	<u>39,705</u>
Total Current Liabilities	<u>\$ 862,369</u>	<u>\$ 543,666</u>	<u>\$ 152,780</u>	<u>\$ 162,227</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012**

Exhibit 6

	<u>2013</u> <u>Water Fund</u>	<u>2012</u> <u>Water Fund</u>	<u>2013</u> <u>Sewer Fund</u>	<u>2012</u> <u>Sewer Fund</u>
Noncurrent Liabilities				
Revenue bonds payable	\$ 9,780,000	\$ 10,135,000	\$ -	\$ -
Loans payable	<u>-</u>	<u>-</u>	<u>2,917,700</u>	<u>2,957,283</u>
Total Noncurrent Liabilities	<u>9,780,000</u>	<u>10,135,000</u>	<u>2,917,700</u>	<u>2,957,283</u>
TOTAL LIABILITIES	<u>10,642,369</u>	<u>10,678,666</u>	<u>3,070,480</u>	<u>3,119,510</u>
 NET POSITION				
Net investment in capital assets	(4,163,905)	(3,751,546)	8,737,933	8,928,103
Restricted	821,215	355,489	15,600	15,585
Unrestricted	<u>(58,133)</u>	<u>242,907</u>	<u>14,391</u>	<u>598</u>
TOTAL NET POSITION	<u>\$ (3,400,823)</u>	<u>\$ (3,153,150)</u>	<u>\$ 8,767,924</u>	<u>\$ 8,944,286</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2013

The schedule of per diem paid Council members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of Council members is included in legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405, Council members receive \$1,000 per month.

Tommy Watson, Mayor Pro-Tem	\$ 12,000
Marjorie Day	12,000
Charles Finlayson	12,000
Gloria Hayden	12,000
Lisa Houston	<u>12,000</u>
Total	<u>\$ 60,000</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Submission Type: Audited / Non-A-133

FYE 06/30/2013

		14.871 Housing Choice Vouchers	<u>Total</u>
111	Cash - Unrestricted	\$ 88,990	\$ 88,990
124	Accounts Receivable - Other Gov't	\$ 2,720	\$ 2,720
190	Total Assets	<u>91,710</u>	<u>91,710</u>
312	Accounts Payable <= 90 Days	<u>953</u>	<u>953</u>
300	Total Liabilities	<u>953</u>	<u>953</u>
508.1	Invested in Capital Assets, Net of Related Debt	-	-
511.1	Restricted Net Assets	-	-
512.1	Unrestricted Net Assets	<u>90,757</u>	<u>90,757</u>
513	Total Equity / Net Assets	<u>90,757</u>	<u>90,757</u>
600	Total Liabilities and Equity / Net Assets	<u>\$ 91,710</u>	<u>\$ 91,710</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Submission Type: Audited / Non-A-133

FYE 06/30/2013

	<u>14.871 Housing Choice Vouchers</u>	<u>Total</u>
70800 HUD PHA Operating Grants	204,760	204,760
71100 Investment Income - Unrestricted	88	88
71500 Other Revenue	33,861	33,861
70000 Total Revenue	<u>238,709</u>	<u>238,709</u>
91600 Office Expenses	18,460	18,460
91800 Travel	1,134	1,134
91900 Other	1,400	1,400
96900 Total Operating Expenses	<u>20,994</u>	<u>20,994</u>
97000 Excess of Operating Revenue over Operating Expenses	217,715	217,715
97300 Housing Assistance Payments	181,126	181,126
97350 HAP Portability - In	29,620	29,620
90000 Total Expenses	<u>231,740</u>	<u>231,740</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	<u>6,969</u>	<u>6,969</u>
11030 Beginning Equity	80,471	80,471
11040 Prior Period Adjustment	3,317	3,317
11170 Administrative Fee Equity	90,757	90,757
11180 Housing Assistance Payments Equity	-	-
11190 Unit Months Available	660	660
11210 Number of Unit Months Leased	<u>552</u>	<u>552</u>

See independent auditor's report and notes to the basic financial statements.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Eddie Beckwith, Jr.
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tallulah as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Tallulah's basic financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Tallulah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tallulah's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tallulah's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Finding 13-2 in the accompanying schedule of findings and responses to be a material weakness.

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• PCAOB - Public Company Accounting Oversight Board

AICPA: Center for Public Company Audit Firms (SEC) • Governmental Audit Quality Center • Private Companies Practice Section (PCPS)

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Findings 13-1 and 13-5 in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tallulah's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in Findings 13-3 and 13-4 in the accompanying schedule of findings and responses.

City of Tallulah's Response to Findings

City of Tallulah's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Tallulah's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the City Council, Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Pilot, Meunier and LeBlanc, LLP

Metairie, Louisiana
December 26, 2013
February 12, 2014 relating to Findings 13-1 and 13-5

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Part I - Summary of Auditor's Results:

Financial Statement Audit

- i. The type of audit report issued was adverse for the government as a the government as a whole and unqualified for the primary government.
- ii. There were three (3) significant deficiencies required to be disclosed by *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

One (1) significant deficiency was considered to be a material weaknesses.

- iii. There were one (1) instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statements.

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Part II - Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America.

FINDING 13-1: CASH MANAGEMENT

Cash Disbursements

Entity-wide or program/department specific: This relates to the general fund.

Criteria or specific requirement: Policies implemented by City should be followed to ensure management carries out day-to-day operations of the entity within the guidelines set forth by the governing officials.

Condition found: Due to cash flow, the City has not been paying vendors timely, resulting in instances where payments for charges included late fees. Checks are held and paid as funds are available.

Our sample test was comprised of eighty-four disbursements, which totaled \$160,425. Our findings are as follows:

1. Eighteen exceptions noted where the invoice was not paid within thirty days.
2. One exception was noted where a check in the amount of \$600 did not have the appropriate number of signatures.
3. Three exceptions were noted (which totaled \$459, 0.029% of total disbursements tested) where the charge did not appear to be necessary and reasonable due to the City paying either finance or late fees on the transactions.

Effect: Unnecessary costs are incurred.

Cause: Monitoring

Recommendations: We recommend that the City secure adequate funding to pay its obligations timely, continue to monitor its disbursements, adhere to a review its accounting policies and procedures.

Views of responsible officials and planned corrective action: Cash management is an ongoing challenge, and invoices are paid as cash flow allows, some months being better than others.

Cash Deposits

Entity-wide or program/department specific: This finding relates to the General Fund

Criteria or specific requirement: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds.

Condition found: In a test of forty deposits totaling \$302,599, it was noted that three of the deposits which totaled \$4,413 were deposited more than three business days after being received. One deposit for \$2,013 was deposited twelve days after it was received. The second deposit in the amount of \$896 was deposited five days after it was received. The third deposit in the amount of \$1,504 was deposited

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

fourteen days after it was received.

Effect: When funds are not deposited timely, the City is not in compliance with Louisiana Revised Statute (LA. R.S.) 39:1212. In addition, there is a risk of loss from burglary, misplacement, or misappropriation, and cash is not immediately available for expenditures.

Cause: Monitoring

Recommendations: We recommend that the City strongly emphasize to the individuals responsible that there is a high priority, an urgency, to deposit funds immediately and that deposits be reviewed monthly when the banks are reconciled for compliance with this policy.

Views of responsible officials and planned corrective action: Special efforts will be instituted to ensure that all deposits are made no later than three business days from receipt.

Payroll or Personnel Policy

Entity-wide or program/department specific: This finding relates to the General Fund

Criteria or specific requirement: Salaries are paid in accordance with the city ordinance.

Condition found: There are three positions (two elected and one appointed) whose salaries are fixed by City Ordinance. The ordinance does not address whether the individuals in these positions are to earn sick or vacation leave; however, the individuals are paid for unused vacation leave at calendar year end. The payment for the balance of unused vacation leave at calendar year end may be considered to be paid compensation above the amount fixed in the ordinance. Appropriate employee leave slips and/or time sheets were not maintained for these employees.

Cause: Monitoring

Effect: Since the ordinance does not specifically address whether individuals in these positions are to earn vacation leave, these individuals may have received compensation above the amount fixed in the ordinance.

Recommendations: We recommend that the ordinance relating to these individuals be amended to clarify the vacation leave matters. We also recommend that leave slips and/or time sheets be maintained in accordance with best practices promulgated by the Louisiana Legislative Auditor.

Views of responsible officials and planned corrective action:

The City does not maintain formal records to support the annual leave earned and used by the Mayor, Police Chief, and City Clerk. At the beginning of each calendar year, the City Clerk and CFO assigns to each employee, including the Mayor, Chief of Police, and City Clerk, the correct amount of annual leave and sick time for the year. During the year, as these days are used and recorded from time sheets of employees, the software system keeps track and an up-to-date total of those used hours which are included on the employees' payroll check advice. Therefore, if the Mayor, Chief of Police, and City Clerk do not take vacation or sick leave time off, no entry is made in the payroll software system of such an event, and a balance of unused leave time for the year is available at year end.

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

The City Clerk and CFO reports that the City's current personnel policy does not distinguish between "exempt" and "non-exempt" employees where overtime is concerned. The City Clerk and CFO reports that the Mayor, Chief of Police and City Clerk do not fill out payroll time sheets and do not receive overtime pay.

Louisiana Attorneys General have opined that elected officials, such as the fulltime mayor and the fulltime chief of police cannot be relegated to an inferior position of a municipal employee

The City Attorney advises that Section 1-7. Administration of the Policy (Tallulah's Personnel Policy) provides that the policy shall be administered by the Mayor through the City Clerk and shall be consistent, uniform and fair at all times. The policy also provides that the City Clerk shall administer and interpret policies and procedures as they apply to all department and employees.

The City is in the process of reviewing the personnel manual to change and/or provide additional clarity on various policies

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318) 574-0964
City of Tallulah Fax: (318) 574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: By fiscal year ended June 30, 2014.

FINDING 13-2: SECTION 8 DISBURSEMENTS

Entity-wide or program/department specific: This finding relates to the Section 8 program.

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained, and ensure that expenditures are necessary and reasonable.

Condition found:

In a test of five disbursements for the Section 8 program, the following were noted in which the expenditure did not have proper documentation:

1. Two exceptions were noted for the 50058 information, whereby the supporting documentation such as date of birth, social security number and youth status did not agree.
2. Two exceptions were noted in the income calculation.
3. One exception was noted where the HAP payment did not agree to the register.

Effect: Unnecessary costs were incurred and/or revenues from the Section 8 program may not have been collected.

Cause: Monitoring

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Recommendations: The City should formalize an internal audit function to monitor disbursements, to review the Section 8 files, and to assure compliance with City, State and Federal guidelines.

Views of responsible officials and planned corrective action: A new administrator has been added to the Section 8 Program, which resulted in a reduced number of exceptions from the prior year. We anticipate better results next year from improvements instituted.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2014.

FINDING 13-3 DEBT COVERAGE AGREEMENT

Entity-wide or program/department specific: This finding relates to the Water and Sewer Funds.

Criteria or specific requirement: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund, and contingency/project reserve fund for each of the debt agreements. Furthermore, the City's annual financial information should be provided to the Municipal Securities Rulemaking Board by December 31 of each year while the Water Revenue Bonds Refunding Series 2007 and Series 2011 are outstanding. Also, the City must set fees such that net revenues are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

Condition found: The City did not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more than the required minimum of 120% to 125% of next year's debt service requirement. The City did not provide information verifying the City complied with continuing disclosures to the Municipal Securities Rulemaking Board as required.

Effect: The City does not adhere to the stipulations as set forth in the debt covenants agreements. Such a violation may trigger additional costs and/or the loan(s) being called.

Cause: The reserves were only funded periodically due to available cash flow.

Recommendations: A plan should be adopted to ensure that the City is complying with the debt covenants as required by the debt agreements. This plan may include amending the debt agreements and/or obtaining written waivers from the lender, such that the City would be in compliance with the debt covenants.

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Views of responsible officials and planned corrective action: The City has enacted a measures during the fiscal year ended June 30, 2013, such as a recent rate increase in water, and reduction of expenses, that has enabled the city to the amount in reserve and decrease the amount required by approximately \$308,000.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2014.

FINDING 13-4 PUBLIC RECORDS PUBLICATION

Entity-wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: Louisiana Revised Statute 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

Condition found: While reviewing regular board-meeting minutes to determine if the City published the board meeting minutes within twenty days in the official journal, it was noted that seven of the ten board meeting minutes selected were published in the official journal more than twenty days after the regular meeting occurred.

Effect: This City did not adhere to the requirements in regards to publishing their minutes of regular board meetings within twenty days as set forth by the Louisiana Revised Statute.

Cause: Our conversation with the Gerald Odom, City Clerk, disclosed that the official journal minutes are not approved until the next Council meeting, which, on various occasions, are more than twenty days subsequent to the prior meeting. Since the minutes cannot be published unless approved, the City is unable to always comply with this requirement. Although timely publication may be requested, it may not be possible to do so since the official journal is published weekly.

Recommendations to prevent future occurrences: Management should implement procedures to ensure that all regular board-meeting minutes are published in the official journal within twenty days from the date of the board. For example, pending the City Attorney's opinion, the approval procedure may be a fax approval by each council member and/or telephone approval.

Views of responsible officials and planned corrective action: The City will review its approval process and will make every effort to ensure that all official proceedings are published in the official journal within twenty days of origin or action by the Council.

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2014.

FINDING 13-5 POLICE TICKETS – FORMAL TRACKING SYSTEM

Entity-wide or program/department specific: This finding relates to the police department.

Criteria or specific requirement: Proper internal controls over the collection of police tickets to ensure that tickets issued to defendants are maintained, properly recorded and received in a timely manner.

Condition found: The City has adopted various policies and procedures promulgated by the Louisiana Legislative Auditor. These policies include a formal tracking system to account for all traffic citations, including their status. The City is developing, but has not fully implemented, a formal tracking system to account for all traffic citations, including their status (e.g., paid, reduced, or dismissed).

Effect: The City may not be collecting all funds due and/or the date that the receipt of funds that are collected may be enhanced.

Cause: Antiquated system

Recommendations to prevent future occurrences: Policies and procedures relating to ticket collection should be revised. The accounting and reporting software relating to tickets that is available from the State of Louisiana, or a comparable software program, should be fully implemented, and employees should be provided with appropriate training relating to this software and the revised policies.

1.4 Views of responsible officials and planned action

We maintain a manual ticket tracking system, and are in the process of revising our ticket collection procedures. We are in the process of evaluating computer software related to tickets. We will provide training to our staff regarding revised policies and procedures.

1.5 Person responsible for the above actions

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: June 30, 2014 for policy and procedure revisions, June 30, 2015 for full implementation and training of staff regarding the revisions of policies and procedures.

OTHER INFORMATION

**CITY OF TALLULAH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

The following findings were prepared by the prior auditor.

Reference # and Title: **12-F1** **Inadequate Accounting Controls**

Origination date: This finding originated in fiscal year ended June 30, 2008.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Proper internal controls require that bank reconciliations are performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved in a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Policies implemented by the City should be followed to ensure management carries out day-to-day operations of the entity within the guidelines set forth by the governing officials.

It was noted that reconciling items on the bank reconciliation are not investigated and corrected to ensure that there are appropriate adjustments to the bank book balance. Additionally, outstanding checks should be investigated to determine the validity of the check as well as submit outstanding amounts to Louisiana Unclaimed Property Division if the check is determined to be valid.

While reviewing the income general ledger accounts, it was noted that several income transactions were not classified correctly. Audit adjustments were presented to management to reclassify revenues and expenses to their proper accounting classification and to balance and reconcile interfund receivables/payables and interfund transfers. In addition, miscellaneous collections of ad valorem revenues and refunds are not consistently posted to the proper fund as required by the tax proposition.

While testing Police and Fire supplemental pay, it was noted that an individual on extended unpaid medical leave is still receiving supplemental pay from the State. Each month the City submits to the State signed police and fire reports listing who is currently employed by each respective department. If an individual is not being paid by the City, then the individual is not eligible to receive supplemental pay. The City also paid the employer and the employee's portion of Social Security and Medicare benefits on the supplemental pay. The City did not include the Social Security and Medicare benefits paid on behalf of the individual on the individual's W-2.

While testing receivable and payable account balances, it was noted that the accruals at fiscal year-end did not agree to the supporting documentation. Material audit adjustments were presented to management to correct year-end accruals for accounts payable.

Due to cash flow, the City has not been paying vendors timely resulting in instances where payments for charges were duplicated and included late fees. The City is also not remitting employee pensions withheld from the employee's check to the respective retirement plans in a timely manner. In addition, it was noted that not all invoices are entered into the City's accounts payable system, but are held and paid as funds are available.

**CITY OF TALLULAH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

In testing of attendance and leave records for one pay period, the following exceptions were noted: One exception was noted for a part-time employee earning comp time; two exceptions were noted in which the employee's comp time used was not shown correctly on the employee's paycheck; and, it could not be determined in looking at the payroll records if the City is maintaining accurate leave time earned, used and accumulated balance, yet the vacation balance accumulated at the calendar year end in being paid out in full.

Through discussions with management, it was noted that the City's payroll or personnel policy is outdated. There are three positions (two elected and one appointed) whose salaries are fixed by City Ordinance. The ordinance does not address whether the individuals in these positions are to earn sick or vacation leave; however, the individuals are paid for unused vacation leave at calendar year end. The payment for the balance of unused vacation leave at calendar year end is considered to be paid compensation above the amount fixed in the ordinance. Also, it does not appear reasonable that the majority of the City's administrative personnel does not take any or takes little vacation leave during the year.

Current Year Status

Resolved: The City has retained the prior auditors to perform various accounting functions, which include, but are not limited to assistance in preparing and/or reviewing bank reconciliations, preparing appropriate adjustments to the cash book balance, reviewing journal entries for proper classification, reclassify revenues and expenses to their proper accounting classification and to balance and reconcile interfund receivables/payables and interfund transfers. The City Clerk maintains good records of employee leave. Leave time paid out at year end is analyzed for accuracy by the City Clerk.

Not Resolved: Payment of late fees. Refer to current year finding 13-1.
 Sick and vacation leave. Refer to current year finding 13-1.

Reference # and Title: **12-F2** **Insufficient Controls Over Disbursements**

Origination date: This finding originated in fiscal year ended June 30, 2008.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures.

In a test of forty-five vendor disbursements, the following were noted: One exception was noted where the check did not have the appropriate number of signatures; six exceptions were noted for not having a purchase order; six exceptions noted where the charge did not appear to be necessary and reasonable due to the City paying either sales tax or late fees on the transactions; one exception was noted where the charge did not agree to the supporting documentation; three exceptions noted where the invoice was not paid timely; and, one exception was noted where a construction invoice was not dated nor contained any information to be able to determine when the work was performed.

**CITY OF TALLULAH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

Exceptions were noted in testing five disbursements for the Section 8 program in which the expenditure did not have proper documentation:

- one exception was noted for not having an annual recertification for the time period tested;
- five exceptions were noted for the 50058 information not agreeing the supporting documentation such as date of birth, social security number and youth status;
- one exception was noted for the resident's income or student status was not verified by a third party;
- three exceptions were noted in the income calculation;
- one exception was noted in which the 9886 was in the file, but not signed by the tenant;
- one exception was noted when the HAP payment did not agree to the register; and,
- one exception was noted in which the rent reasonableness was required to be completed and no documentation was in the file.

In a test of twenty payroll checks, two exceptions were noted in which the employee's pay was not calculated correctly based on the supporting documentation.

In a test of eleven travel reimbursement expenditures, it was noted that four of the expenditures did not have itemized receipts to support the reimbursement, eight exceptions were noted for the mileage was not reimbursed for the actual miles driven as stated in the City's travel policy and three exceptions was noted in which the charge did not appear necessary and reasonable.

In a test of ten credit / store charge cards statements, it was noted that four statements were paid from the statement and did not have original receipts as supporting documentation. Two statements each had transactions that were not supported by original receipts. One transaction was not considered necessary and reasonable due to it being an expense for a personal vehicle. Ten exceptions were noted for statements including finance and late fees.

Current Year Status

Resolved: Payroll and Credit Card Statements

Not Resolved Late payments - Refer to Current Finding 13-1
HUD matters – Refer to Current Finding 13-2.

Reference # and Title: **12-F3** **Cash Management**

Origination date: This finding originated in fiscal year ended June 30, 2008.

Entity-wide or program/department specific: This finding relates to the General Fund and Police Department

Condition: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds.

**CITY OF TALLULAH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

In a test of forty-two receipts issued at City Hall, it was noted that fourteen of the receipts were deposited more than three business days after being received.

Current Year Status

Partially Resolved: The number of exceptions was reduced from fourteen to three. Refer to current finding 13-1.

Reference # and Title: 12-F4 Insufficient Controls Over Police Tickets

Origination date: This finding originated in fiscal year ended June 30, 2008.

Entity-wide or program/department specific: This finding relates to the Police Department.

Condition: Proper internal controls over the collection of police tickets ensure that tickets issued to defendants are maintained, properly recorded and received in a timely manner. The tickets should be traced from the point of receiving the blank ticket books to the collection of the ticket issued.

While testing forty tickets issued during the year, it was noted that eight tickets could not be located for testing. There were two exceptions in which the ticket payment could not be accurately traced to the deposit and one exception where the fine did not agree to the fine schedule.

Current Year Status

Resolved

Reference # and Title: 12-F5 Insufficient Controls Over Water and Sewer Customers

Origination date: This finding originated in fiscal year ended June 30, 2008.

Entity-wide or program/department specific:

Condition: Proper internal controls over customer accounts at the water and sewer department ensure that customers who have outstanding balances are properly recognized and procedures are taken to collect the monies owed to the City for services rendered or disconnection procedures are implemented. If the customer still owes a balance, the deposit should be offset against any remaining monies owed and either a last bill sent to the customer or the deposit returned within thirty days from the last bill date.

In a test of forty customer disconnects, it was noted that six of the disconnects were not performed timely when reviewing the customer's outstanding balances owed to the City. In addition, it was noted that a customer did not receive their deposit refund in a timely manner.

Current Year Status:

Resolved

**CITY OF TALLULAH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

Reference # and Title: **12-F6** **Debt Covenant Restrictions**

Origination date: This finding originated in fiscal year ended June 30, 2010

Entity-wide or program/department specific: This finding relates to the Water and Sewer Funds.

Condition: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund and contingency/project reserve fund for each of the debt agreements and provide the City's annual financial information to the Municipal Securities Rulemaking Board by December 31 each year while the Water Revenue Bonds Refunding Series 2007 and Series 2011 are outstanding. Also, the City must set fees such that net revenues are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

The City does not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more than the required minimum of 120% to 125% of next year's debt service requirement. The City did not provide information verifying the City complied with continuing disclosures to the Municipal Securities Rulemaking Board as required.

Current Year Status:

Not Resolved: Refer to current finding 13-3

Reference # and Title: **12-F7** **Public Records Violation**

Origination date: This finding originated in fiscal year ended June 30, 2010.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Louisiana Revised Statute 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

While reviewing regular board-meeting minutes to determine if the City published the board meeting minutes with twenty days in the official journal, it was noted that seven of the ten board meeting minutes selected were published in the official journal more than twenty days after the regular meeting occurred.

Current Year Status: Not Resolved: Refer to current finding 13-4

**CITY OF TALLULAH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013**

Reference # and Title: **12-F8** **Budget Violation**

Origination date: This finding originated in fiscal year ended June 30, 2007.

Entity-wide or program/department specific: This finding is entity-wide.

Condition: Louisiana Revised Statute 39:1307B states in part "...the political subdivision shall publish a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing."

While testing the City's budget for certain Louisiana Revised Statute requirements, it was noted that the notice of availability and notice of public hearing was published only seven days before the public hearing occurred.

Current Year Status:

Resolved: A review of the proposed budget notice disclosed that, during the May 23, 2013 meeting, the council stated that the proposed budget hearing would be held on June 7, 2013. Notice was given to be published in the official journal on May 24.

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

December 26, 2013

To the Honorable Eddie Beckwith, Jr.
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah (City) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the City's internal control in our report dated December 26, 2013. This letter does not affect our report dated December 26, 2013, on the financial statements of the City of Tallulah.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses. Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Tallulah, as of and for the year ended June 30, 2013, which collectively comprise the City's financial statements, and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

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Immediately following this Letter is a Status of the previous auditor's Management Letter Item. This information has not been audited by us, and no opinion is expressed. However, we did follow-up on the prior Management Letter item and performed procedures to assess the reasonableness of the Status of the Prior Management Letter Item prepared by management. We would report, as a current-year management item if Paillet, Meunier and LeBlanc, L.L.P. concludes that the Status of the Prior Management Letter Item materially misrepresents the Status of any prior Management Letter item.

This report is intended solely for the information and use of the City Council, Board, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Sincerely,

Paillet, Meunier and LeBlanc, LLP

Metairie, LA
December 26, 2013

**CITY OF TALLULAH
MANAGEMENT COMMENTS MEMORANDUM
JUNE 30, 2013**

As stated in our accompanying letter, during our audit we became aware of several matters that present opportunities for strengthening internal controls, improving operating efficiency and maximizing income. This memorandum summarizes our comments and suggestions regarding those matters.

1.0 RECORD RETENTION

1.1 Current Condition

Record retention provisions and regulations are provided in La. R.S. 44:441. Per conversations with City officials and correspondence from the Louisiana Legislative Auditor, it was determined that the City may not be in full compliance with La. R.S. 44:441 relative to record retention.

1.2 Actual and Potential Effect of Current Condition

The City may not be in full compliance with La. R.S. 44:441 relative to record retention.

1.3 Recommendation

We understand that several City officials have attended recent seminars regarding Louisiana's required record retention laws and policies and have scheduled other seminars to attend regarding this matter. We recommend that the City review its record retention policy to determine if the policy is in compliance with Louisiana Statutes, and to revise the policy(ies) if found not to be in full compliance. We also recommend that the City develop a plan to implement any revised policies which would include, but not be limited to, anticipated cost, personnel requirements, training and implementation timeline.

1.4 Views of responsible officials and planned action

We plan to attend additional seminars on this subject, consult with Louisiana officials regarding this matter, review our policies and procedures with the City attorney and develop a plan to implement any revised policies and procedures.

1.5 Person responsible for the above actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: June 30, 2014

2.0 PAPERLESS DOCUMENT MANAGEMENT SYSTEM

2.1 Current Condition

The City currently maintains the vast majority of its files in paper format

2.2 Actual and Potential Effect of Current Condition

The City incurs costs to maintain its files and files may not be immediately accessible.

2.3 Recommendation

We recommend that the City review the costs of/and consider implementing a plan to bring more of the City's files into the paperless arena. Usually, the benefits of a paperless system are far greater than the costs. These benefits would include, but not be limited to, reduced paper costs, reduced costs of file maintenance, immediate access to files, enhanced file search and related retrieval of documents, and increased work productivity. The system could also allow public access to various files, such as council minutes and future council agendas.

2.4 Views of responsible officials and planned action

We are already paperless with regard to a number of our files, e.g. letters, and certain financial information. We will look into the costs of various document management systems, and, if financially feasible, implement a plan to increase the utilization of electronic records.

2.5 Person responsible for the above actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date for review and development of plan: June 30, 2014

**CITY OF TALLULAH
STATUS OF PRIOR YEAR MANAGEMENT LETTER ITEM
JUNE 30, 2013**

The following provides the status of the previous auditor's management letter comment.

12-M1 **Stabilization of Fund Balance**

Comment: During review of the financial statements, it was determined that the City is not operating within the limits of the approved budget. The City is not reviewing their expenditures against revenues to ensure adequate funding to cover the expenditures. Even though the City made budget revisions during the current year to reduce expenditures, the finances of the City continue to decline. For the 2012 fiscal year ended, the general fund and sewer fund had bank overdrafts and the water fund had a deficit fund balance.

Current year status:

Resolved: During the year, the minutes of the City Council reflect various discussions about the budget and passed various budget amendments.

**CITY OF TALLULAH RESPONSE TO THE LOUISIANA LEGISLATIVE AUDITOR
LETTER OF OCTOBER 30, 2013**

Eddie Beckwith, Jr.
Mayor



204 North Cedar Street
Tallulah, Louisiana 71282
Telephone (318) 574-0984
Fax (318) 574-2773

Office of the Mayor

December 31, 2013

Daryl G. Purpera
CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397
Fax: 225-339-3870

Dear Mr. Purpera:

The City of Tallulah's response to the Louisiana Legislative Auditor's Findings in the October 30, 2013 letter together with the City of Tallulah's Corrections of these Findings is as follows:

1. The Mayor, Police Chief, and City Clerk received payment for accrued unused annual leave which caused their annual compensation to exceed the compensation established by City ordinance No. 06-07-01 (hereafter Compensation Ordinance).

The City's Response. According to Tallulah City Clerk and Chief Financial Officer, Gerald Odom,¹ for a period of more than ten years, these two-week annual leave payments have been a common practice annually when applicable, and had been viewed by the City's audit firm each year. After noting the practice, the City's audit firm would approve the payments. However, during the audit year, 2012, the City's audit firm chose to disregard the prior practice of approval and issue a finding. Thus, the City finds itself in a questionable position in which it had no forewarning of an opinion reversal of its own audit firm when nothing had changed regarding the practice.

Tallulah City Attorney Raymond Lee Cannon advises that this ordinance is required to be read together with other laws on this same subject and not read in isolation. Attorney Cannon advises this is the law of legal interpretation which is prescribed in Louisiana Civil Code Article 13.

Tallulah City Attorney Raymond Lee Cannon advises that Louisiana Civil

¹ Mr. Odom has served as the City of Tallulah's City Clerk and CFO for the past twenty two years.

Code Article 3 supports the legal proposition that the City of Tallulah's practice of permitting the full time elected Mayor and Chief of Police and the full time appointed City Clerk annual leave can constitute a custom and have the force of a local law La. AG Op. No. 08-0253 (6/22/94). City Attorney Raymond Lee Cannon advises that the Ordinance setting the compensation of the Mayor, Chief and Clerk should be read together with this custom and policy as a matter of law and not in conflict with this custom and policy. Section 3, Purpose and Application of the compensation ordinance states that this ordinance has been made in accordance with the policies and recommendations set forth by the governing authority. Section 5 of the compensation ordinance states that the mayor and city clerk are authorized to take any and all actions necessary to carry out the purposes of this ordinance, including, without limitation, revising the payroll schedule of the city in accordance herewith.

Tallulah City Attorney Raymond Lee Cannon advises that paragraph B. of Section 1-4 of The City of Tallulah Personnel Policy provides that the Holiday, vacation, and leave provisions of the Personnel Policy shall apply to the City Clerk and to the department heads.

Tallulah City Attorney Raymond Lee Cannon advises that no state statute excludes elected officials from accruing leave benefits. La. Atty. General Op. No. 1989-222. City Attorney Raymond Lee Cannon advises that the state's annual leave policy (LSA-R.S. 42:421B) considers elected officials to be "employees entitled to annual leave". Only officers appointed by the Governor are exempt from leave benefits and accrual. Shea v Louisiana State Employees and Retirement System, 521 So.2d 624 (La. Appeal 1st Circuit, 1988).

Tallulah City Attorney Raymond Lee Cannon advises that the Louisiana Attorneys General have said time and time again that Article VII, Section 14 of the Louisiana Constitution of 1974 does not prohibit earned increases in compensation or earned supplemental compensation, unless such supplemental compensation is specifically prohibited by law. Attorney General's Opinions Nos. 95-323, 95-165A, 94-241, and 2004 La. AG Lexis 88.

Tallulah City Attorney Raymond Lee Cannon advises that Section 1-3. Management Rights, of the City of Tallulah's Personnel Policy provides:

The Mayor and Board of Aldermen (City Council) of Tallulah, in accordance with the constitution and statutes of the State of Louisiana, retain the right to establish policies governing its work force, including the determination of methods and procedures by which government operation are to be conducted, the size of the work force, assignment of duties, hours of employment, compensation of personnel, employment, promotion, transfer, discipline, and the right to relieve employees from duty because of

lack of work or other legitimate reasons. They also maintain the right to change these procedures and need and to review them no less than annually.

Tallulah City Attorney Raymond Lee Cannon advises that Section 1-6 Amendment of the Tallulah Personnel Policy provides that the rules of the Personnel Policy may be changed, supplemented, or superseded at any time as provided by the Mayor and Board of Aldermen.

Tallulah City Attorney Raymond Lee Cannon advises that the Tallulah Personnel Policy became effective on Monday, July 2, 1990. The current Mayor and City Council are working through a new personnel policy and this work in progress has been on the agendas of the City Council Meetings.

2. The City does not maintain formal records to support the annual leave earned and used by the Mayor, Police Chief, and City Clerk. In accordance with Attorney General Opinions No. 03-91, 00-279, and 96-391, such records must be maintained in order to receive such benefits.

The City's Response. At the beginning of each calendar year, the City Clerk and CFO assigns to each employee, including the Mayor, Chief of Police, and City Clerk, the correct amount of annual leave and sick time for the year. During the year, as these days are used and recorded from time sheets of employees, the software system keeps track and an up-to-date total of those used hours which are included on the employees' payroll check advice. Therefore, if the Mayor, Chief of Police, and City Clerk do not take vacation or sick leave time off, no entry is made in the payroll software system of such an event, and a balance of unused leave time for the year is available at year end.

The City Clerk and CFO reports that the City's current personnel policy does not distinguish between "exempt" and "non-exempt" employees where overtime is concerned. The City Clerk and CFO reports that the Mayor, Chief of Police and City Clerk do not fill out payroll time sheets and do not receive overtime pay.

Louisiana Attorneys General have opined that elected officials, such as the fulltime mayor and the fulltime chief of police cannot be relegated to an inferior position of a municipal employee. 2011 La. AG Lexis 425 (La. AG 2011); La. AG Op. 2001-07; La. AG Op. 07-113; 2007 La. AG Lexis 137 (La. AG 2007), Cogswell v Town of Logansport, 321 So.2nd 774, 780 (La. Appeal 2nd Circuit 1975).

City Attorney Raymond Lee Cannon advises that Section 1-7. Administration of the Policy (Tallulah's Personnel Policy) provides that the policy shall be administered by the Mayor through the City Clerk and shall be consistent, uniform and fair at all times. The policy also provides that the City Clerk shall administer and interpret policies and procedures as they apply to all department and employees.

3. The City does not have a formal cash management plan to ensure that a positive cash flow is maintained month to month.

The City's Response. The City Clerk and CFO has computer access to the City's main bank accounts and keeps a daily check on them. Therefore, no checks are sent through that would generate an "insufficient funds" action. It is true that some month-end cash reconciliation balances show an overdraft occasionally, but the City Clerk is holding checks and remits to vendors when funds become available. For book purposes, the City Clerk could make a journal entry placing the unfunded balance back into Accounts Payable and will do so in the future.

4. The City's internal review processes did not ensure the timely payment of all credit card accounts, resulting in late fee charges on a credit card account.

The City's Response. The City has only two credit cards which are in the possession of the City Clerk and Chief Deputy Clerk. Charges to those cards are closely guarded as auditors have seen, but payments are sometimes delayed due to cash flow. However, on several occasions, the payments that are sent out for both cards are credited to one card only by the receiving bank thereby leaving the balance on the remaining one unpaid. The City Clerk reports that this particular problem has been rectified.

5. Bank deposits were not being made in a timely manner in accordance with Louisiana Revised Statute (La. RS. 39: 1212).

The City's Response. It is the City CFO's and Clerk's understanding that all deposits should be made no later than three days upon receipt, and he has established that practice.

6. The City does not maintain a formal tracking system to account for all traffic citations, including their status (e.g., paid, reduced, or dismissed).

The City's Response. The City of Tallulah does have a formal tracking system, (Exhibit B), but it is not an online electronic tracking system of fine payment. The City of Tallulah is in the process of upgrading its LEMIS System, so that the City of Tallulah Police Department will be able to track the payment of traffic citations and fines through an online computer based system (LEMIS). LEMIS stands for the LAW ENFORCEMENT MANAGEMENT INFORMATION SYSTEM.

The City of Tallulah has contacted the LA COMMISSION ON LAW ENFORCEMENT, P.O. Box 3133, 225-342-1888, Gerald Parker, Information Technologist Liaison, and Miss Sherron Haynes, 225-341-1569 have offered to assist the City of Tallulah in installing the LEMIS SYSTEM. A practice system has been electronically installed by the LEMIS to acclimate the City employees to the system.

7. The City does not disconnect past-due customers' utility services on a timely basis.

The City's Response. The City does have a policy of disconnecting past-due customer utility services on a timely basis. (Exhibit A). This policy is monitored by the Mayor and takes into account certain objective criteria, such as the age and family size of the customer, whether the customer is in good health, whether the customer is making partial payments, whether the customer's health will be jeopardized if the utility is disconnected and any other fact which reason and good government dictates should be taken into account in light of the public safety and welfare before the utility is disconnected.

8. Contrary to City policy, the business purpose was not documented for all City credit card charges/purchases.

The City's Response. The City Clerk and CFO understands the importance of proper documentation on all city purchases and has further strengthened such guidelines.

9. The City needs to comply with La. RS. 44:411, relative to records retention.

The City's Response. During the week of December 17, 2013, representatives of the city of Tallulah attended scheduled training by


the Louisiana Secretary of State's Archives and Records Management Division.

City Attorney Raymond Lee Cannon advises that the City of Tallulah and its officials reserve the right to seek an opinion of the Louisiana Attorney General in these premises and if necessary a judgment of a court of competent jurisdiction.

The City of Tallulah will continue to strive to comply with all of the laws, rules and regulations which continue to change all of the time. The City of Tallulah is a small municipality.

With kind regards, I remain

Very truly yours,



Eddie Beckwith, Jr.,
Mayor of the City of Tallulah

cc: City Auditors:

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